

DRAFT REVISED ISAE 3000**ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF
HISTORICAL FINANCIAL INFORMATION****Introduction**

1. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information, which are dealt with in International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs), respectively. (Ref: Para A19-A20)
2. This ISAE is premised on the basis that:
 - (a) The firm of which the practitioner performing the engagement is a member is subject to ISQC 1 or to other professional requirements, or requirements in laws or regulations regarding quality control for firms that are at least as demanding;¹ and
 - (b) The members of the engagement team and the engagement quality control reviewer (if any) are subject to Parts A and B of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code), or other professional requirements, or requirements in laws or regulations, that are at least as demanding.
3. Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being an integral part of the framework supporting high quality assurance engagements that are in the public interest. Professional accountants in public practice will be familiar with such requirements as part of their professional qualifications. If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with this or other ISAEs, it is important to recognize that this ISAE includes requirements that reflect the premise in the preceding paragraph regarding ISQC 1 and the IESBA Code, or other professional requirements, or requirements in laws or regulations that are at least as demanding.

Relationship with other Pronouncements

4. This ISAE is to be read in the context of the *International Framework for Assurance Engagements* (the Framework), which identifies those engagements to which ISAEs apply. Where a subject matter-specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to this ISAE.

Effective Date

5. This ISAE is effective for assurance engagements where the assurance report is dated on or after [date].

¹ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

Overall Objectives of the Practitioner

6. In conducting an assurance engagement, the overall objectives of the practitioner are:
 - (a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the reported outcome of the measurement or evaluation of the underlying subject matter (that is, the subject matter information) is free from material misstatement, thereby enabling the practitioner to express a conclusion thereon; and
 - (b) To express that conclusion through a written report that clearly conveys either reasonable or limited assurance and describes the basis for the conclusion.
7. In all cases when reasonable assurance or limited assurance, as appropriate, cannot be obtained and a qualified conclusion in the practitioner's assurance report is insufficient in the circumstances for purposes of reporting to the intended users, the ISAEs require that the practitioner disclaim a conclusion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable laws or regulations.

Definitions

8. For purposes of this ISAE and other ISAEs, unless indicated to the contrary, the following terms have the meanings attributed below. Appendix 1 includes further definitions relevant to assurance engagements other than audits or reviews of historical financial information.
 - (a) Assurance engagement—An engagement in which a practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria. Each assurance engagement is classified on two dimensions:
 - (i) Either a reasonable assurance engagement or a limited assurance engagement:
 - a. Reasonable assurance engagement—An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion.
 - b. Limited assurance engagement—An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. This is achieved by performing a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is meaningful to the intended users. The assurance report communicates the limited nature of the assurance obtained and uses the negative form of expression for the practitioner's conclusion.
 - (ii) Either an attestation engagement or a direct engagement: (Ref: Para. A1–A5)
 - a. Attestation engagement—An assurance engagement in which a party(ies) other than the practitioner measures or evaluates the

underlying subject matter against the criteria and presents the resulting subject matter information in a report or statement.

- b. Direct engagement—An assurance engagement in which the practitioner measures or evaluates the underlying subject matter against the criteria and the practitioner presents the resulting subject matter information as part of, or accompanying, the assurance report.
- (b) Assurance skill and techniques—Those systematic planning, evidence gathering, evidence evaluation and reporting skills and techniques demonstrated by an assurance practitioner which are distinct from expertise in the underlying subject matter of any particular assurance engagement or its measurement or evaluation. (Ref: Para A6)
- (c) Criteria—The benchmarks used to measure or evaluate the underlying subject matter including, where relevant, those for presentation and disclosure. The “applicable criteria” are the criteria used for the particular engagement. (Ref: Para. A7–A8)
- (d) Engagement circumstances—The broad context defining the particular engagement, which include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the underlying subject matter, the applicable measurement or evaluation criteria, the information needs of the intended users, relevant characteristics of the parties to the engagement and their environment, and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.
- (e) Engagement risk—The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. (Ref: Para. A9–A12)
- (f) Engaging party—The party(ies) that engages the practitioner to perform the assurance engagement. (Ref: Para. A13)
- (g) Entity— (Ref: Para. A14)
 - (i) In the case of a direct engagement, the responsible party; or
 - (ii) In the case of an attestation engagement, the measurer or evaluator, which may also be the responsible party.
- (h) Intended users—The individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report. (Ref: Para. A15–A17)
- (i) Measurer or evaluator—The party(ies) who measures or evaluates the underlying subject matter against the applicable criteria.
- (j) Misstatement—A difference between an aspect of the subject matter information as presented and the presentation of that aspect required to properly present the outcome of the measurement or evaluation of the subject matter against the applicable criteria. Misstatements can be intentional or unintentional, and include omissions (see also paragraph A5).

- (k) Practitioner—The person or persons conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm) by applying assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement. In a direct engagement, the practitioner both measures or evaluates the underlying subject matter against the criteria and obtains reasonable assurance or limited assurance, as appropriate, about whether the outcome of that measurement or evaluation is free from material misstatement. Where this ISAE expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used.
- (l) Responsible party—The party(ies) responsible for the underlying subject matter.
- (m) Subject matter information—The outcome of measuring or evaluating the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter. (Ref: Para. A18)
- (n) Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria.

Requirements

Conduct of an Assurance Engagement in Accordance with ISAEs

Complying with Standards that are Relevant to the Engagement

- 9. The practitioner shall comply with ISAE 3000 and any subject matter-specific ISAEs relevant to the engagement.
- 10. The practitioner shall not represent compliance with this or any other ISAE unless the practitioner has complied with the requirements of this ISAE and all other ISAEs relevant to the engagement. (Ref. Para: A19–A20)

Text of an ISAE

- 11. The practitioner shall have an understanding of the entire text of an ISAE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref. Para: A21–A25)

Complying with Relevant Requirements

- 12. Subject to the following paragraph, the practitioner shall comply with each requirement of this ISAE and any relevant subject matter-specific ISAE unless, in the circumstances of the engagement the requirement is not relevant because it is conditional and the condition does not exist.
- 13. In exceptional circumstances, the practitioner may judge it necessary to depart from a relevant requirement in an ISAE. In such circumstances, the practitioner shall perform alternative procedures to achieve the aim of that requirement. The need for the practitioner to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the aim of the requirement.

Failure to Achieve an Objective

14. If the objectives in this ISAE or a relevant subject matter-specific ISAE cannot be achieved, the practitioner shall evaluate whether this requires the practitioner to modify the practitioner's conclusion or withdraw from the engagement (where withdrawal is possible under applicable laws or regulations). Failure to achieve the objectives in a relevant ISAE represents a significant matter requiring documentation in accordance with paragraph 67 of this ISAE.

Acceptance and Continuance

15. The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and determined that conclusions reached in this regard are appropriate.
16. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.
17. The practitioner shall accept or continue an assurance engagement only when:
 - (a) The practitioner has no reason to believe that relevant ethical requirements, such as independence and professional competence and due care, will not be satisfied; and (Ref. Para: A26–A30)
 - (b) The basis upon which the engagement is to be performed has been agreed, through:
 - (i) Establishing that the preconditions for an assurance engagement are present (see paragraphs 18–19); and
 - (ii) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities

Preconditions for the Engagement

18. In order to establish whether the preconditions for an assurance engagement are present, the practitioner shall determine whether:
 - (a) The roles and responsibilities of the parties to the engagement are appropriate; (Ref: Para. A31–A33)
 - (b) The engagement exhibits all of the following characteristics:
 - (i) The underlying subject matter is appropriate; (Ref: Para. A34–38)
 - (ii) The criteria to be applied in the preparation of the subject matter information used are suitable and will be available to the intended users; (Ref: Para. A39–A45)
 - (iii) The practitioner will have access to the evidence needed to support the practitioner's conclusion; (Ref: Para. A46–A48)

- (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) A rational purpose. (Ref: Para. A49)
19. If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement unless required by laws or regulations to do so. However, an engagement conducted under such circumstances does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s).
20. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner shall discuss the matter with the entity, and shall determine:
- (a) Whether the matter can be resolved;
 - (b) Whether it is appropriate to continue with the engagement; and
 - (c) Whether, and if so how, to communicate the matter in the assurance report.

Agreeing on the Terms of the Engagement

21. The agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement. (Ref: Para. A50)
22. On recurring engagements, the practitioner shall assess whether circumstances require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of the engagement.

Acceptance of a Change in the Terms of the Engagement

23. The practitioner shall not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. If such a change is made, the practitioner shall not disregard evidence that was obtained prior to the change. (Ref: Para. A51)

Assurance Report Prescribed by Laws or Regulations

24. In some cases, laws or regulations of the relevant jurisdiction prescribes the layout or wording of the assurance report. In these circumstances, the practitioner shall evaluate:
- (a) Whether users might misunderstand the assurance obtained from the engagement; and
 - (b) If so, whether additional explanation in the assurance report can mitigate possible misunderstanding.

If the practitioner concludes that additional explanation in the assurance report cannot mitigate possible misunderstanding, the practitioner shall not accept the engagement, unless required by laws or regulations to do so. An engagement conducted in accordance with such laws or regulations does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the

engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s).

Quality Control

Characteristics of the Engagement Partner

25. The engagement partner shall:
- (a) Be a member of a firm that applies ISQC 1, or other professional requirements, or requirements in laws or regulations that are at least as demanding; (Ref: Para. A52–A53)
 - (b) Have specialist knowledge and competence in assurance skills and techniques developed through extensive training and practical application; and (Ref: Para. A52 and A55)
 - (c) Have sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion. (Ref: Para. A56–A57)

Assignment of the Team

26. The engagement partner shall: (Ref: Para. A58)
- (a) Be satisfied that the engagement team and any practitioner’s external experts collectively have the appropriate competence and capabilities to: (Ref: Para. A59–A60)
 - (i) Perform the engagement in accordance with relevant standards and applicable legal and regulatory requirements; and
 - (ii) Enable an assurance report that is appropriate in the circumstances to be issued.
 - (b) Be satisfied that the engagement team will be able to be involved in the work of:
 - (i) A practitioner’s expert where the work of that expert is to be used; and (Ref: Para. A59–A60)
 - (ii) Another practitioner where the work of that practitioner is to be used, (Ref: Para. A61)
- to an extent that is sufficient for the engagement team to accept responsibility for the conclusion on the subject matter information.

Responsibilities of the Engagement Partner

27. The engagement partner shall take responsibility for the overall quality on the engagement. This includes responsibility for:
- (a) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements;
 - (b) Directing, supervising, planning and performing the engagement to achieve compliance with professional standards and applicable legal and regulatory requirements;

- (c) Reviews being performed in accordance with the firm’s review policies and procedures, and reviewing the engagement documentation on or before the date of the assurance report; (Ref: Para. A62)
 - (d) Maintaining appropriate engagement documentation to provide evidence of achievement of the practitioner’s objectives, and that the engagement was performed in accordance with the ISAEs and relevant legal and regulatory requirements; and
 - (e) The engagement team undertaking appropriate consultation on difficult or contentious matters.
28. The practitioner shall comply with Parts A and B of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by laws or regulations, that are at least as demanding. (Ref: Para. A26–A30 and A52)
29. Throughout the engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team. If matters come to the engagement partner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A63)
30. The engagement partner shall consider the results of the firm’s monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the assurance engagement.

Engagement Quality Control Review

31. For those engagements, if any, for which a quality control review is required by laws or regulations or for which the firm has determined that an engagement quality control review is required:
- (a) The engagement partner shall take responsibility for discussing significant matters arising during the engagement with the engagement quality control reviewer, and not dating the assurance report until completion of that review; and
 - (b) The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve. (Ref: Para. A64)
 - (i) Discussion of significant matters with the engagement partner;
 - (ii) Review of the subject matter information and the proposed assurance report;
 - (iii) Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached; and

- (iv) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.

Professional Skepticism and Professional Judgment

- 32. The practitioner shall plan and perform an engagement with professional skepticism. (Ref: Para. A65–A69)
- 33. The practitioner shall exercise professional judgment in planning and performing an assurance engagement. (Ref: Para. A70–A74)

Planning and Performing the Engagement

Planning

- 34. The practitioner shall plan the engagement so that it will be performed in an effective manner, including setting the scope, timing and direction of the engagement, and determining the nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objective of the engagement. (Ref: Para. A75–A78)

Materiality

- 35. The practitioner shall consider materiality when: (Ref: Para. A79–A86)
 - (a) Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and
 - (b) Evaluating whether the subject matter information is free from misstatement.

Obtaining Evidence

- 36. The practitioner shall obtain an understanding of the subject matter and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. In the case of a reasonable assurance engagement, the practitioner's understanding shall include an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances. (Ref: Para. A87–A88)
- 37. When designing and performing procedures, the practitioner shall consider the relevance and reliability of the information to be used as evidence. If:
 - (a) Evidence obtained from one source is inconsistent with that obtained from another; or
 - (b) The practitioner has doubts over the reliability of information to be used as evidence,

the practitioner shall determine what changes or additions to procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the engagement.

Assurance Procedures

- 38. The practitioner shall apply assurance skills and techniques as part of an iterative, systematic engagement process. (Ref: Para. A89–A94)

39. The practitioner shall apply professional judgment to determine the nature, timing and extent of procedures in accordance with the circumstances of the engagement. (Ref: Para. A95–A96)
40. In a reasonable assurance engagement the practitioner shall:
 - (a) Based on the practitioner’s understanding (see paragraph 36), identify and assess the risks of material misstatement;
 - (b) Respond to assessed risks, by (i) developing and implementing overall responses, and (ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures. Those procedures shall involve substantive procedures (including obtaining corroborating information from independent sources, when relevant), and when relevant to the engagement circumstances, tests of the operating effectiveness of controls over the measurer or evaluator’s preparation of the subject matter information (in the case of an attestation engagement) or over data used by the practitioner in measuring or evaluating the underlying subject matter (in a direct engagement); and
 - (c) Based on the procedures performed and the evidence obtained, evaluate before the completion of the engagement whether the practitioner’s assessment of the risks that the subject matter information may be materially misstated remain appropriate. (Ref: Para. A97)
41. In a limited assurance engagement, the practitioner shall:
 - (a) Based on the practitioner’s understanding (see paragraph 36) and consideration of risks of material misstatement, determine the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users; (Ref: Para. A99–100)
 - (b) Perform those procedures; and
 - (c) If the practitioner becomes aware of a matter that causes the practitioner to believe the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to: (Ref: Para. A97–A98)
 - (i) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or
 - (ii) Determine that the matter causes the subject matter information to be materially misstated.
42. The practitioner shall accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial. (Ref: Para. A101-A102)
43. The practitioner shall conclude whether sufficient appropriate evidence in the context of the engagement has been obtained and, if not, the practitioner shall attempt to obtain further evidence. The practitioner shall consider all relevant evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the underlying subject matter against the applicable criteria.

Work Performed by Another Practitioner or an Internal Auditor

44. When the work of another practitioner or an internal auditor is to be used, the practitioner shall be satisfied that work is adequate for the practitioner's purposes.

Work Performed by a Practitioner's Expert

45. When the work of a practitioner's expert is to be used, the practitioner shall also: (Ref: Para. A103–A107)
- (a) Evaluate whether the practitioner's expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. In the case of a practitioner's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity; (Ref: Para. A108–A111)
 - (b) Obtain a sufficient understanding of the field of expertise of the practitioner's expert; (Ref: Para. A112–A113)
 - (c) Agree with the practitioner's expert on the nature, scope and objectives of that expert's work; and (Ref: Para. A114–115)
 - (d) Evaluate the adequacy of the practitioner's expert's work for the practitioner's purposes. (Ref: Para. A116–A117)

Written Representations

46. The practitioner shall request from the entity a written representation that it has provided the practitioner with all relevant information and access. (Ref: Para. A47–A48 and A118–A122)
47. In an attestation engagement, the practitioner shall request from the measurer or evaluator a written representation about the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information.
48. In a direct engagement, the practitioner shall request from the responsible party a written representation that acknowledges responsibility for the underlying subject matter unless that responsibility is prescribed by laws or regulations in sufficient detail.
49. When written representations relate to matters that are material to the subject matter information, the practitioner shall:
- (a) Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written);
 - (b) Consider whether those making the representations can be expected to be well informed on the particular matters; and
 - (c) Obtaining corroborative evidence in the case of a reasonable assurance engagement. The practitioner may also seek corroborative evidence in the case of a limited assurance engagement.
50. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.

Requested Written Representations Not Provided or Not Reliable

51. If one or more of the requested written representations are not provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values or diligence of those providing the written representations that the written representations are not reliable, the practitioner shall: (Ref: Para. A122)
- (a) Discuss the matter with the entity;
 - (b) Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and
 - (c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.

Considering Subsequent Events

52. When relevant to the engagement, the practitioner shall consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the practitioner's conclusion. (Ref. Para A123)

Other Information

53. When documents containing the subject matter information and the assurance report thereon include other information, the practitioner shall read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report and, if on reading that other information, the practitioner: (Ref: Para. A124)
- (a) Identifies a material inconsistency between that other information and the subject matter information or the assurance report, or
 - (b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the subject matter information or the assurance report,
- the practitioner shall discuss the matter with the entity and take further action as appropriate.

Description of Applicable Criteria

54. The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria. (Ref: Para. A125–A127)

Forming the Assurance Conclusion

55. The practitioner shall form a conclusion or conclusions about whether the reported outcome of the measurement or evaluation of the underlying subject matter is free

from material misstatement. In forming that conclusion, the practitioner shall consider: (Ref: Para. A128–A129)

- (a) The practitioner's conclusion in paragraph 43 whether sufficient appropriate evidence in the context of the engagement has been obtained; and
- (b) An evaluation of whether uncorrected misstatements are material, individually or in aggregate. (Ref: Para. A101–A102)

56. If the practitioner is unable to obtain sufficient appropriate evidence in the context of the engagement, a scope limitation exists and the practitioner shall determine whether it is appropriate to continue the engagement and, if it is appropriate to continue the engagement, the practitioner shall express a qualified conclusion or disclaim a conclusion. (Ref: Para. A130–A133)

Preparing the Assurance Report

57. The assurance report shall be in writing and shall contain a clear expression of the practitioner's conclusion that conveys the assurance obtained about the subject matter information.

Assurance Report Content

58. The assurance report shall include the following basic elements:

- (a) A title that clearly indicates the report is an independent assurance report. (Ref: Para. A134)
- (b) An addressee. (Ref: Para. A135)
- (c) An identification and description of the subject matter information and, when appropriate, the underlying subject matter. When the practitioner's conclusion is worded in terms of a statement made by the measurer or evaluator, that statement shall be appended to the assurance report, reproduced in the assurance report or referenced therein to a source that is available to the intended users. (Ref: Para. A136)
- (d) Identification of the criteria. (Ref: Para. A137)
- (e) Where appropriate, a description of any significant, inherent limitations associated with the measurement or evaluation of the underlying subject matter against the criteria. (Ref: Para. A138)
- (f) When the applicable criteria are designed for a specific purpose, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose. (Ref: Para. A139–A140)
- (g) A statement to identify the entity, and the responsible party if different in the case of a direct engagement, and to describe their responsibilities and the practitioner's responsibilities. (Ref: Para. A141)
- (h) A statement that the engagement was performed in accordance with this ISAE or, where there is a subject matter specific ISAE, that ISAE. (Ref: Para. A142)

- (i) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in laws or regulations that are at least as demanding. .
- (j) A statement that the practitioner complies with the independence and other ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by laws or regulations, that are at least as demanding.
- (k) An informative summary of the work performed as the basis for the practitioner's conclusion. In a limited assurance engagement the summary of the work performed shall state that the practitioner's procedures are more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. (Ref: Para. A143–A146)
- (l) The practitioner's conclusion: (Ref: Para. A147–A149)
 - (i) Where appropriate, the conclusion shall inform the intended users of the context in which the practitioner's conclusion is to be read. (Ref: Para. A150)
 - (ii) In a reasonable assurance engagement, the conclusion shall be expressed in the positive form.
 - (iii) In a limited assurance engagement, the conclusion shall be expressed in the negative form. (Ref: Para. A151–A152)
 - (iv) Where the practitioner expresses a modified conclusion, the assurance report shall contain a clear description of all the reasons. (Ref: Para. A153)
- (m) The assurance report date. The assurance report shall be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner's conclusion is based, including: (Ref: Para. A154)
 - (i) In the case of a attestation engagement, evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information; and
 - (ii) In the case of direct engagement, receipt of the written representation required by paragraph 48.
- (n) The name of the firm or the practitioner, and a specific location, which ordinarily is the city where the practitioner maintains the office that has responsibility for the engagement. (Ref: Para. A155)

Reference to the Practitioner's Expert in the Assurance Report

59. If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert. (Ref: Para. A156–158)

Findings and Recommendations

60. The practitioner's conclusion on the subject matter information shall be clearly separated from any emphasis of matter, findings, recommendations or similar information included in the assurance report, and the wording used shall make it clear

that findings, recommendations or similar information is not intended to affect the practitioner's conclusion. (Ref: Para. A159–A161)

Assurance Report Prescribed by Laws or Regulations

61. If the practitioner is required by laws or regulations to use a specific layout or wording of the assurance report, the assurance report shall refer to this or other ISAEs only if the assurance report includes, at a minimum, each of the elements identified in paragraph 58.

Unmodified and Modified Conclusions

62. The practitioner shall express an unmodified conclusion when the practitioner concludes, in the case of a reasonable assurance engagement, that the subject matter information is prepared, in all material respects, in accordance with the applicable criteria, or, in the case of a limited assurance engagement, that nothing has come to the attention of the practitioner that causes the practitioner to believe that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.
63. The practitioner shall express a modified conclusion when the following circumstances exist and, in the practitioner's judgment, the effect of the matter is or may be material:
 - (a) When a scope limitation exists (see paragraph 56). In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion;
 - (b) When:
 - The practitioner's conclusion is worded in terms of a statement made by the measurer or evaluator, and that statement is incorrect, in a material respect; or
 - The practitioner's conclusion is worded in terms of the underlying subject matter and the criteria, and the subject matter information is not free from material misstatement.²

In such cases, the practitioner shall express a qualified or adverse conclusion.

64. The practitioner shall express a qualified conclusion when the effects, or possible effects, of a matter are not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion is expressed as being "except for" the effects, or possible effects, of the matter to which the qualification relates.
65. In those cases where the practitioner's unqualified conclusion would be worded in terms of a statement made by the measurer or evaluator, and that statement has identified and properly described that the subject matter information is materially misstated, the practitioner shall either:

² In those direct engagements where the subject matter information is presented only in the practitioner's conclusion, and the practitioner concludes that the subject matter does not, in all material respects, conform with the criteria, for example: "In our opinion, except for [...], internal control is effective, in all material respects, based on XYZ criteria," such a conclusion would also be considered to be qualified (or adverse as appropriate).

- Express a qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria; or
- If specifically required by the terms of the engagement to word the conclusion in terms of statement made by the measurer or evaluator, express an unqualified conclusion but emphasizes the matter by specifically referring to it in the assurance report.

Other Communication Responsibilities

66. The practitioner shall consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matters that have come to the attention of the practitioner should be communicated with management or those charged with governance of the entity, another party to the engagement, or others. (Ref: Para. A162)

Documentation

67. The practitioner shall prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand: (Ref: Para. A163–A171)
- (a) The nature, timing and extent of the procedures performed to comply with the ISAEs and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the evidence obtained; and
 - (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
68. If the practitioner identifies information that is inconsistent with the practitioner's final conclusion regarding a significant matter, the practitioner shall document how the practitioner addressed the inconsistency.

Application and Other Explanatory Material

Definitions

Attestation Engagements and Direct Engagements (Ref: Para. 8(a)(ii) and Appendix 2))

- A1. In an attestation engagement, the measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.
- A2. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Depending on the underlying subject matter:

- (a) The outcome of the measurement or evaluation in a direct engagement may be similar to a report or statement prepared by the measurer or evaluator in an attestation engagement. In other circumstances, however, the outcome may be reflected in the description of the findings and basis for the practitioner's conclusion in a long-form assurance report; and
 - (b) The practitioner may use data collected or compiled by others. For example, the data may come from an information system maintained by the responsible party.
- A3. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also obtains sufficient appropriate evidence in order to express a conclusion about whether the subject matter information materially misstates the outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria. The practitioner often obtains that evidence simultaneously with the measurement or evaluation of the subject matter, but may also obtain it before or after such measurement or evaluation.
- A4. So, in a direct engagement, rather than the source of assurance coming about through independent review of a measurement or evaluation that another party has performed, as is the case in an attestation engagement, the value of a direct engagement lies in the combination of:
- (a) The independence of the practitioner from the subject matter, the engaging party, intended users and the responsible party. The practitioner is not independent of the subject matter information because the practitioner created that subject matter information; and
 - (b) The assurance skills and techniques applied when measuring or evaluating the subject matter, which results in the accumulation of evidence that is of a similar quantity and quality as for an attestation engagement. It is this obtaining of sufficient appropriate evidence that distinguishes a direct engagement from a mere compilation. To illustrate this point, if a practitioner were compiling an entity's financial statements, the practitioner would not, for example, observe physical inventory counts. In a direct engagement, however, the practitioner would either conduct physical inventory counts as part of the measurement process, or observe physical inventory counts performed by others to the same extent as would be the case if the engagement were an attestation engagement.

The Risk of Material Misstatement

- A5. In the ISAEs, the potential for the subject matter information, as prepared, to be different from that required for it to be in accordance with the applicable criteria is known as the risk of material misstatement for both attestation engagements and direct engagements.

Assurance Skill and Techniques (Ref: Para. 8(b))

- A6. Assurance skills and techniques include: application of professional skepticism and professional judgment to planning and performing an assurance engagement, including obtaining and evaluating evidence; understanding information systems and the role and

limitations of internal control; linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures; applying procedures including inquiry, inspection, re-calculation, re-performance, observation, confirmation, and analytical procedures; rigorous documentation practices; and, report-writing skills.

Criteria (Ref: Para. 8(c) and Appendix 2)

- A7. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying 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. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one measurer or evaluator might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the underlying subject matter of customer satisfaction; another measurer or evaluator might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance, i.e., if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa.
- A8. In some direct engagements, the applicable criteria may be determined by another party. In other direct engagements, however, the practitioner selects or develops the applicable criteria. When this is the case, and more than one set of relevant established criteria exist or the practitioner develops the applicable criteria, particular care may be needed to assess their suitability in the circumstances of the engagement since there is no independent review of practitioner's judgment. It may be appropriate in such cases to disclose in the assurance report basis for using a particular set of criteria the practitioner has selected or developed. (See also paragraph A63.)

Engagement Risk (Ref: Para. 8(e))

- A9. Engagement risk is a technical term related to the assurance process; it does not refer to or include the practitioner's business risks such as loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on.
- A10. . Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial and, therefore, "reasonable assurance" is less than absolute assurance, as a result of factors such as the following:
- 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 when evaluated or measured against the applicable criteria.

The Components of Engagement Risk

- A11. In general, 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) Risks that the practitioner does not directly influence, which may consist of:
 - (i) The susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk); and
 - (ii) In the case of an attestation engagement, the risk that a material misstatement that occurs in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the entity's internal control (control risk); and
 - (b) Risks that the practitioner does directly influence, which may consist of:
 - (i) The risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk); and
 - (ii) In the case of a direct engagement, the risks associated with the practitioner's measurement or evaluation of the subject matter in accordance with the applicable criteria.

A12. The degree to which each of these components is relevant to the engagement is affected by the engagement circumstances, in particular:

- The nature of the underlying subject matter and the subject matter information. For example, the concept of control risk may be more useful when the underlying subject matter relates to the preparation of information about an entity's performance than when it relates to information about the effectiveness of a controls or the existence of a physical condition.
- Whether a reasonable assurance or a limited assurance engagement is being performed. For example, in some limited assurance attestation engagements the practitioner may decide to obtain evidence by means other than tests of controls, in which case consideration of control risk may be less relevant than in a reasonable assurance attestation engagement on the same subject matter information.
- Whether it is a direct engagement or an attestation engagement. As noted in the previous paragraph, while the concept of control risk is relevant to attestation engagements, the broader concept of measurement or evaluation risk is relevant to direct engagements.

The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

The Engaging Party (Ref: Para. 8(f) and Appendix 2)

- A13. The engaging party may, under different circumstances, be management or those charged with governance of the entity, a legislature, the intended users, the responsible party, the measurer or evaluator (other than in a direct engagement, where the practitioner is the measurer or evaluator), or a different third party.

The Entity (Ref: Para. 8(g) and Appendix 2)

A14. The roles played by various parties to an assurance engagement can vary (see paragraph A31). Also, management and governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. Such diversity means that it is not possible for ISAEs to specify for all engagements the person(s) with whom the practitioner is to inquire of, request representations from, or otherwise communicate with in all circumstances. In some cases, for example, when the entity is only part of a complete legal entity, identifying the appropriate management personnel or those charged with governance with whom to communicate will require the exercise of professional judgment to determine which person(s) have the appropriate responsibilities for and knowledge of the matters concerned.

Intended Users (Ref: Para. 8(h) and Appendix 2)

- A15. In some cases there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people have access to it. In such cases, particularly where possible readers are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by laws or regulations.
- A16. Intended users or their representatives may be directly involved with the practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an agreed-upon procedures engagement (which involves reporting findings based upon the procedures, rather than a conclusion):
- (a) The practitioner is responsible for determining the nature, timing and extent of procedures; and
 - (b) The practitioner may need to perform additional procedures if information comes to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based (see paragraph A97-A98).
- A17. In some cases, intended users (for example, bankers and regulators) impose a requirement on, or request the entity (or the engaging party if different) to arrange for an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for a specific purpose, paragraph 58(f) requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report (see paragraph A139–A140).

Subject Matter Information (Ref: Para. 8(m) and Appendix 2)

A18. In some cases, the subject matter information may be a statement that evaluates an aspect of a process, or of performance or compliance, in relation to the criteria. For

example, “ABC’s internal control operated effectively in terms of XYZ criteria during the period ...” or “ABC’s governance structure conformed with XYZ criteria during the period ...”

Conduct of an Assurance Engagement in Accordance with ISAEs

Complying with Standards that are Relevant to the Engagement (Ref: Para. 1 and 10)

- A19. This ISAE includes requirements that apply to all assurance engagements (other than audits or reviews of historical financial information), including engagements in accordance with a subject matter-specific ISAE. In some cases, a subject matter-specific ISAE is also relevant to the engagement. A subject matter-specific ISAE is relevant to the engagement when the ISAE is in effect, the subject matter of the ISAE is relevant to the engagement, and the circumstances addressed by the ISAE exist.
- A20. The ISAs and ISREs have not been written for assurance engagements other than audits and reviews of historical financial information, and do not apply to such engagements. They may, however, provide guidance in relation to the assurance process generally for practitioners undertaking an assurance engagement in accordance with ISAE 3000.

Text of an ISAE (Ref: Para. 11)

- A21. ISAEs contain the objectives of the practitioner in following the ISAEs, and requirements designed to enable the firm to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the ISQC, and definitions.
- A22. The objectives in an ISAE provide the context in which the requirements of the ISAE are set, and are intended to assist in:
- (a) Understanding what is to be accomplished; and
 - (b) Deciding whether more needs to be done to achieve the objectives.
- A23. The requirements of ISAEs are expressed using “shall.”
- A24. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:
- (a) Explain more precisely what a requirement means or is intended to cover; and
 - (b) Include examples that may be appropriate in the circumstances.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an ISAE. Where appropriate, additional considerations specific to public sector audit organizations or smaller firms are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in the ISAEs. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in an ISAE.

- A25. Definitions are provided in the ISAEs to assist in the consistent application and interpretation of the ISAEs, and are not intended to override definitions that may be established for other purposes, whether by laws, regulations or otherwise.

Acceptance and Continuance

Ethical Requirements Relating to Assurance Engagements (Ref: Para. 17(a) and 28)

- A26. Part A of the IESBA Code establishes the following fundamental principles with which the practitioner is required to comply:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behavior.
- A27. Part A also provides a conceptual framework that professional accountants shall apply to:
- (a) Identify threats to compliance with the fundamental principles. Threats fall into one or more of the following categories:
 - (i) Self-interest;
 - (ii) Self-review;
 - (ii) Advocacy;
 - (iv) Familiarity; and
 - (v) Intimidation;
 - (b) Evaluate the significance of the threats identified; and
 - (c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.
- A28. Part B of the IESBA Code describes how the conceptual framework in Part A applies in certain situations to professional accountants in public practice, including.
- Professional appointment.
 - Conflicts of interest.
 - Second opinions.
 - Fees and other types of remuneration.
 - Marketing professional services.
 - Gifts and hospitality.
 - Custody of client assets.

- Objectivity.
 - Independence.
- A29. The IESBA Code defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.
- A30. Professional requirements, or requirements imposed by laws or regulations, are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements when they address all the matters referred to paragraphs A26–A29 and impose obligations that achieve the aims of the requirements set out in Parts A and B of the IESBA Code related to assurance engagements.

Preconditions for the Engagement

Roles and Responsibilities of the Parties to the Engagement (Ref: Para. 18(a) and Appendix 2)

- A31. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, the roles of measurer or evaluator and of the engaging party may also be performed by one of these parties or by another party(ies). See Appendix 2 for a discussion of how each of these roles relate to an assurance engagement.
- A32. Evidence that the appropriate relationship exists with respect to responsibility for the underlying subject matter may be obtained through an acknowledgement provided by the responsible party. Such an acknowledgement also establishes a basis for a common understanding of the responsibility of the responsible party and the practitioner. A written acknowledgement is the most appropriate form of documenting the responsible party's understanding. In the absence of an acknowledgement of responsibility, it may be appropriate for the practitioner to:
- (a) Decline the engagement. Accepting it may be appropriate when, for example, other sources, such as legislation or a contract, indicate responsibility; and
 - (b) If the engagement is accepted, to disclose these circumstances in the assurance report.
- A33. The measurer or evaluator in an attestation engagement is responsible for having a reasonable basis for the subject matter information. What constitutes a reasonable basis will differ considerably depending on the nature of the underlying subject matter and other engagement circumstances. In some cases, a formal process with extensive internal controls may be needed to provide the measurer or evaluator with reasonable basis that the outcome of their measurement or evaluation of the underlying subject matter is free from material misstatement. The fact that the practitioner will report on the subject matter information is not a substitute for the measurer or evaluator's own processes to have a reasonable basis for the subject matter information. In a direct engagement, the process of measuring or evaluating the underlying subject matter and of obtaining sufficient appropriate evidence provides the practitioner, who is the measurer or evaluator, with a reasonable basis for the subject matter information.

Appropriateness of the Underlying Subject Matter (Ref: Para. 18(b)(i))

- A34. An appropriate underlying subject matter is:
- (a) Identifiable, and capable of consistent measurement or evaluation against the applicable criteria; and
 - (b) Such that the information about it can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.
- A35. The appropriateness of an underlying subject matter is not affected by the level of assurance, i.e., if an underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa.
- A36. Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the:
- (a) Precision with which the underlying subject matter can be measured or evaluated against criteria; and
 - (b) The persuasiveness of available evidence.
- A37. Identifying such characteristics and considering their effects assists the practitioner when assessing the appropriateness of the underlying subject matter, and also in determining the content of the assurance report (see paragraph A136).
- A38. In some cases, the assurance engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to report on one aspect of an entity's contribution to sustainable development, such as a number of programs run by an entity that have positive environmental outcomes. In determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter in such cases, it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users, and also how the subject matter information will be presented and distributed, for example, whether there are more significant programs with less favorable outcomes that the entity is not reporting upon.

Suitability and Availability of the Criteria (Ref: Para. 18(b)(ii))

Suitability of the criteria

- A39. Suitable criteria exhibit the following characteristics:
- (a) Relevance: relevant criteria result in subject matter information that assists decision-making by the intended users.
 - (b) Completeness: criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could affect decisions of the intended users. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

- (c) Reliability: reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.
- (d) Neutrality: neutral criteria result in subject matter information that is free from bias.
- (e) Understandability: understandable criteria result in subject matter information that can be understood by the intended users.

Vague descriptions of expectations or judgments or of an individual practitioner's experiences do not constitute suitable criteria.

A40. The suitability of criteria for a particular engagement depends on whether they reflect the above characteristics. The relative importance of each characteristic to a particular engagement is a matter of judgment. This is the case for both direct engagements (where the practitioner may select or develop the applicable criteria) and attestation engagements (where the criteria are selected by another party).

A41. Criteria can be developed in a variety of ways, for example, they may be:

- Embodied in laws or regulations.
- Issued by authorized or recognized bodies of experts that follow a transparent due process.
- Developed collectively by a group that does not follow a transparent due process.
- Published in scholarly journals or books.
- Developed for sale on a proprietary basis.
- Specifically designed for the purpose of preparing the subject matter information in the particular circumstances of the engagement.

How criteria are developed may affect the work that the practitioner carries out to assess their suitability.

A42. In some cases, laws or regulations prescribe the criteria to be used for the engagement. In the absence of indications to the contrary, such criteria are presumed to be suitable, as are criteria issued by authorized or recognized bodies of experts that follow a transparent due process if they are relevant to the intended users' information needs. Such criteria are known as established criteria. Even when established criteria exist for a subject matter, specific users may agree to other criteria for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs in relation to, for example, prudential supervision. In such cases, the assurance report:

- (a) Notes, when it is relevant to the circumstances of the engagement, that the criteria are not embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process; and
- (b) Alerts readers of the assurance report that the subject matter information is prepared in accordance with special purpose criteria and that, as a result, the subject matter information may not be suitable for another purpose.

- A43. If criteria are specifically designed for the purpose of preparing the subject matter information in the particular circumstances of the engagement, they are not suitable if they result in subject matter information or an assurance report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the applicable criteria, and the information provided about the criteria in the assurance report.

Availability of the criteria

- A44. Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. 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 the subject matter information.
 - (c) Through inclusion in a clear manner in the assurance report.
 - (d) By general understanding, for example the criterion for measuring time in hours and minutes.
- A45. Criteria may also be available only to specific intended users, for example the terms of a contract, or criteria issued by an industry association that are available only to those in the industry because they are relevant only to a specific purpose. When this is the case, paragraph 58(f) requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users (see paragraph A139–A140).

Access to Evidence

Quantity and quality of available evidence (Ref: Para. 18(b)(iii))

- A46. The quantity or quality of available evidence is affected by:
- (a) The characteristics of the underlying subject matter or the subject matter information. For example, less objective evidence might be expected when the subject matter information is future oriented rather than historical; and
 - (b) Other circumstances such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible party.

Ordinarily, evidence will be persuasive rather than conclusive.

Access to records (Ref: Para. 18(b)(iii) and 46)

- A47. Seeking the agreement of the entity that it acknowledges and understands its responsibility to provide the practitioner with the following may assist the practitioner in determining whether the engagement exhibits the characteristic of access to evidence:

- (a) Access to all information of which the entity is aware that is relevant to the preparation of the subject matter information such as records, documentation and other matters;
- (b) Additional information that the practitioner may request from the entity for the purpose of the engagement; and
- (c) Unrestricted access to persons within the entity from whom the practitioner determines it necessary to obtain evidence.

A48. The nature of relationships between the parties to the engagement may affect the practitioner's ability to access to records, documentation and other information the practitioner may require as evidence to complete the engagement. The nature of such relationships may therefore be a relevant consideration when determining whether or not to accept the engagement. Examples of some circumstances in which the nature of relationships between the parties to the engagement may be problematic are included in paragraph A122.

A Rational Purpose (Ref: Para. 18(b)(v))

A49. In determining whether the engagement has a rational purpose, relevant considerations may include the following:

- The intended users of the subject matter information and the assurance report (particularly, when the applicable criteria are designed for a special purpose) and the likelihood subject matter information and the assurance report will be used or distributed more broadly than to intended users.
- Whether aspects of the subject matter information are expected to be excluded from the assurance engagement, and the reason for their exclusion.
- The characteristics of the relationships between the parties to the engagement, for example, when the measurer or evaluator is not the responsible party, whether the responsible party consents to the use to be made of the subject matter information and will have the opportunity to review the subject matter information before it is made available to intended users or to distribute comment with the subject matter information, as may be the case in a public sector performance audit.
- Who selected the criteria to be applied to measure or evaluate the underlying subject matter, and the degree of judgment and scope for bias in applying them. The engagement is more likely to have a rational purpose if the intended users selected or were involved in selecting the criteria.
- In the case of a limited assurance engagement, whether the engagement circumstances are such that performing procedures that are limited relative to a reasonable assurance engagement will result in the practitioner obtaining a level of assurance that is meaningful to the intended users. For example, in some cases the inherent risks associated with measuring or evaluating the underlying subject matter in accordance with the applicable criteria may be so high that the work effort associated with a reasonable assurance engagement is needed for the practitioner to obtain a level of assurance that is meaningful to the intended users; in other cases there might be only a small number of possible procedures that can be performed because of the nature of the subject matter information and it may

make little sense in terms of costs and benefits to not perform all those procedures ordinarily necessary to obtain reasonable assurance.

Agreeing on the Terms of the Engagement (Ref: Para. 21)

- A50. It is in the interests of both the entity and the practitioner that the practitioner sends an engagement letter before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. The form and content of the engagement letter or contract will vary with the engagement circumstances, for example, if laws or regulations prescribes in sufficient detail the terms of the engagement, the practitioner need not record them in a written agreement, except for the fact that such laws or regulations applies and that management acknowledges and understands its responsibilities.

Acceptance of a Change in the Terms of the Engagement (Ref: Para. 23)

- A51. 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, for example, from an assurance engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement.

Quality Control

Professional Accountants in Public Practice (Ref: Para. 25(a) and (b), and 28)

- A52. This ISAE has been written in the context of a range of measures taken to ensure the quality of assurance engagements undertaken by professional accountants in public practice, such as those taken by IFAC member bodies in accordance with IFAC's Member Body Compliance Program and Statements of Membership Obligations. Such measures include:
- Competency requirements, such as education and experience benchmarks for entry to membership, and ongoing continuing professional development/life-long learning requirements.
 - Quality control policies and procedures implemented across the firm. ISQC 1 applies to all firms of professional accountants in respect of assurance and related service engagements.
 - A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Firm Level Quality Control (Ref: Para. 25(a))

- A53. ISQC 1, or other professional requirements, or requirements in laws or regulations that are at least as demanding, deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence. Compliance with ISQC 1 requires, among other things, that the firm establish and

maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:

- (a) Leadership responsibilities for quality within the firm;
- (b) Relevant ethical requirements;
- (c) Acceptance and continuance of client relationships and specific engagements;
- (d) Human resources;
- (e) Engagement performance; and
- (f) Monitoring.

A54. Other professional requirements, or requirements in laws or regulations that deal with the firm's responsibilities to establish and maintain a system of quality control are at least as demanding as ISQC 1 when they address all the matters referred to in the preceding paragraph and impose obligations on the firm that achieve the aims of the requirements set out in ISQC 1.

Specialist Knowledge and Experience in Assurance (Ref: Para. 25(b))

A55. As noted in International Education Standard (IES) 8, no one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.³ One area of specialization is assurance, which includes, but is broader than, assurance engagements on historical financial information. Competence in assurance requires specialist knowledge and experience in assurance skills and techniques developed through extensive training and practical application. In many jurisdictions, regulators develop rules for registration that, along with IES 8, may provide useful benchmarks for assessing compliance with paragraph 25(b) of this ISAE in a particular jurisdiction. Such rules may involve, for example, demonstration of specific competencies, or a requirement to spend set periods of time on particular aspects of assurance engagements.

Skills, Knowledge and Experience with Respect to the Subject Matter (Ref: Para. 25(c))

A56. A practitioner 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 a particular individual.

A57. The IESBA Code requires the professional accountant in public practice to agree to provide only those services that the professional accountant in public practice is competent to perform.⁴ The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's expert. Nonetheless, if the practitioner using the work of a practitioner's expert, having followed this ISAE, concludes that the work of that expert is adequate for the practitioner's purposes, the practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

³ International Education Standard (IES) 8, *Competence Requirements for Audit Professionals*

⁴ The IESBA Code, paragraph 210.6

Assignment of the Team

Collective Competence and Capabilities (Ref: Para. 26)

A58. ISQC 1 requires the firm to establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.⁵

Practitioner's Expert (Ref: Para. 26(a) and 26(b)(i))

A59. Some of the assurance work may be performed by a multi-disciplinary team that includes one or more practitioner's expert. In a reasonable assurance engagement, for example, a practitioner's expert may be needed to assist the practitioner in obtaining an understanding of the subject matter and other engagement circumstances or in one or more of the matters mentioned in paragraph 40.

A60. When the work of a practitioner's expert is to be used, it may be appropriate to perform some of the procedures required by paragraph 45 at the engagement acceptance or continuance stage.

Other Practitioners (Ref: Para.26(b)(ii))

A61. The subject matter information may include information upon which another practitioner may have expressed a conclusion. The practitioner, in concluding on the subject matter information, may decide to use the evidence on which that other practitioner's conclusion is based to provide evidence regarding the subject matter information.

Review Responsibilities (Ref: Para. 27(c))

A62. Under ISQC 1, the firm's review responsibility policies and procedures are determined on the basis that the work of less experienced team members is reviewed by more experienced team members.⁶

Objectivity in a Direct Engagement (Ref: Para. 29)

A63. In a direct engagement, the practitioner both measures or evaluates the underlying subject matter and obtains sufficient appropriate evidence about that measurement or evaluation. The practitioner may also select or develop the applicable criteria (see paragraph A8). Engagement level quality control policies and procedures are particularly important in a direct engagement because of the threats to objectivity that these multiple roles can pose. Actions to eliminate such threats or reduce them to an acceptable level by applying safeguards may include:

- Having separate assurance personnel undertake each role.
- Increasing the level of direction, supervision and review, particularly of the assurance personnel undertaking the measurement or evaluation of the underlying subject matter.
- Undertaking an engagement quality control review.

⁵ ISQC 1, paragraph 26

⁶ ISQC 1, paragraph 33

If the threats to objectivity cannot be eliminated or reduced to an acceptable level by applying safeguards, it may be appropriate to withdraw from the engagement, where withdrawal is possible under applicable laws or regulations.

Engagement Quality Control Review (Ref: Para. 31(b))

- A64. Other matters that may be considered in an engagement quality control review include:
- (a) The engagement team's evaluation of the firm's independence in relation to the engagement;
 - (b) Whether appropriate consultation has taken place on matters involving differences of conclusion or other difficult or contentious matters, and the conclusions arising from those consultations; and
 - (c) Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached.

Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: Para. 32)

- A65. Professional skepticism, which applies equally to reasonable assurance and limited assurance engagements, includes being alert to, for example:
- Evidence that is inconsistent with other evidence obtained.
 - Information that calls into question the reliability of documents and responses to inquiries to be used as evidence.
 - Circumstances that suggest the need for procedures in addition to those required by the ISAEs.
- A66. Maintaining professional skepticism throughout the engagement is necessary if the practitioner is, for example, to reduce the risks of:
- Overlooking unusual circumstances.
 - Over generalizing when drawing conclusions from observations.
 - Using inappropriate assumptions in determining the nature, timing, and extent of the procedures and evaluating the results thereof.
- A67. Professional skepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.
- A68. Unless the engagement involves assurance about the genuineness of documents, the practitioner may accept records and documents as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner is required by paragraph 37 to consider the reliability of information to be used as evidence.
- A69. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who

provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism.

Professional Judgment (Ref: Para. 33)

- A70. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and the ISAEs and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:
- Materiality and engagement risk.
 - The nature, timing, and extent of procedures used to meet the requirements of the ISAEs and obtain evidence.
 - Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the overall objectives of ISAE 3000 and any relevant subject matter-specific ISAE.
 - In the case of a direct engagement, applying the criteria to the subject matter, and if the practitioner selects or develops the applicable criteria, selecting or developing them. In the case of an attestation engagement, evaluating such judgments made by others.
 - The appropriate conclusions to draw based on the evidence obtained.
- A71. The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.
- A72. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm assist the practitioner in making informed and reasonable judgments.
- A73. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's assurance report.
- A74. Professional judgment needs to be exercised throughout the engagement. It also needs to be appropriately documented. In this regard, paragraph 67 requires the practitioner to prepare documentation sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the significant professional judgments made in reaching conclusions on significant matters arising during the engagement. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Planning and Performing the Engagement

Planning (Ref: Para. 34)

A75. Planning involves the engagement partner, other key members of the engagement team, and any key practitioner's external experts developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner to properly assign work to engagement team members, and facilitates their direction and supervision and the review of their work. Further, it assists, where applicable, the coordination of work done by other practitioners and experts. The nature and extent of planning activities will vary with the engagement circumstances, for example the size and complexity of the responsible party and the practitioner's previous experience with it. Examples of the main matters to be considered include:

- The characteristics of the engagement that define its scope, including the terms of the engagement and the characteristics of the underlying subject matter and the applicable criteria.
- The expected timing and the nature of the communications required;
- The results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant
- The engagement process, including in the case of a direct engagement the process for the practitioner's measurement or evaluation of the underlying subject matter, and possible sources of evidence.
- The practitioner's understanding of the parties to the engagement and their environment, including the risks that the subject matter information may be materially misstated.
- Identification of intended users and their information needs, and consideration of materiality and the components of engagement risk.
- The nature, timing and extent of resources necessary to perform the engagement, such as personnel and expertise requirements, including the nature and extent of experts' involvement.
- The impact of the internal audit function on the engagement.

A76. The practitioner may decide to discuss elements of planning with the entity to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of

detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

- A77. Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan, and thereby the resulting planned nature, timing and extent of procedures.
- A78. In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, co-ordination of, and communication between, team members are easier. Establishing the overall engagement strategy in such cases need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team. For example, in the case of a recurring engagement, a brief memorandum prepared at the completion of the previous period, based on a review of the working papers and highlighting issues identified in the engagement just completed, updated in the current period based on discussions with the owner-manager, can serve as the documented engagement strategy for the current engagement.

Materiality (Ref: Para. 35)

- A79. Judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, i.e., materiality for a reasonable assurance engagement is the same as for a limited assurance engagement.
- A80. The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter information and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs A79-A86. If the applicable criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.
- A81. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The practitioner's consideration of materiality is a matter of professional judgment, and is affected by the practitioner's perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users:
- (a) Have a reasonable knowledge of the subject matter, and a willingness to study the subject matter information with reasonable diligence;
 - (b) Understand that the subject matter information is prepared and assured to appropriate levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
 - (c) Understand any inherent uncertainties involved in the measuring or evaluating the underlying subject matter; and

- (d) Make reasonable decisions on the basis of the subject matter information taken as a whole.

Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered. See also paragraphs A15–A17.

A82. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner's judgment.

A83. Qualitative factors may include such things as:

- The interaction between, and relative importance of, various components of the subject matter information when it is made up of multiple components, such as a report that includes numerous performance indicators.
- The wording chosen with respect to a subject matter information that is expressed in narrative form.
- The characteristics of the presentation adopted for the subject matter information when the applicable criteria allow for variations in that presentation.
- The nature of a misstatement, for example, the nature of observed deviations from a control when the subject matter information is a statement that the control is effective.
- Whether a misstatement affects compliance with laws or regulations;
- In the case of periodic reporting on an underlying subject matter, whether a misstatement affects past subject matter information or is likely to affect future subject matter information.
- Whether a misstatement is the result of an intentional act or is unintentional.
- Whether a misstatement is significant having regard to the practitioner's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the underlying subject matter.
- Whether a misstatement relates to the relationship of the entity with particular parties (for example, members of the entity's management).
- Whether a misstatement affects information that is not within the scope of the engagement but which will be communicated in documents containing the subject matter information and may reasonably be expected to influence the decisions of the intended users of the subject matter information.

A84. Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter information, if any, that are:

- Expressed numerically; or
- Otherwise related to numerical values (for example, the number of observed deviations from a control may be a relevant quantitative factor when the subject matter information is a statement that the control is effective).

- A85. When quantitative factors are applicable, it may be appropriate when planning the nature, timing and extent of procedures for the practitioner to determine a quantified level(s) of materiality as a basis for determining the nature, timing and extent of procedures, determining which potential misstatements will be reported to whom, etc. When a quantified level of materiality is used in this way, it does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. In such cases, the qualitative factors related to a quantified misstatement may cause the practitioner to evaluate it as material even if it is below the pre-determined quantified level of materiality.
- A86. Materiality relates to the information covered by the practitioner assurance report. Therefore, when the engagement covers some, but not all aspects of the subject matter information, materiality is considered in relation to only that portion of the subject matter information that is covered by the engagement.

Obtaining Evidence

Understanding the Engagement Circumstances (Ref: Para. 36)

- A87. Obtaining an understanding of the underlying subject matter provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example when:
- Considering the characteristics of the underlying subject matter;
 - Assessing the suitability of criteria;
 - Considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including where special consideration may be necessary; for example, the need for specialized skills or the work of an expert;
 - Establishing and evaluating the continued appropriateness of quantitative materiality levels (where appropriate), and considering qualitative materiality factors;
 - Developing expectations for use when performing analytical procedures;
 - Designing and performing procedures; and
 - Evaluating evidence, including the reasonableness of the oral and written representations received by the practitioner.
- A88. The practitioner ordinarily has a lesser depth of understanding than the responsible party, and a lesser depth of understanding for a limited assurance engagement than for a reasonable assurance engagement.

Sufficiency and Appropriateness of Evidence (Ref: Para. 38–39)

- A89. Evidence is necessary to support the practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality control

procedures for client acceptance and continuance. Evidence may come from sources inside and outside the entity. Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the entity. Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the entity to provide a requested representation) is used by the practitioner, and therefore, also constitutes evidence. Most of the practitioner's work in forming the assurance conclusion consists of obtaining and evaluating evidence.

- A90. The sufficiency and appropriateness of evidence are interrelated. Sufficiency is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of the subject matter information being materially misstatement (the higher the risks, 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). Obtaining more evidence, however, may not compensate for its poor quality.
- A91. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner's conclusion is based. 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 the entity, circumstances may exist that could affect its reliability. 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 (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed).
- A92. 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 entity. Conversely, when evidence obtained from one source is inconsistent with that

obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.

- A93. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter information covering a period than about subject matter information 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.
- A94. Whether sufficient appropriate evidence has been obtained to enable the practitioner to draw reasonable conclusions on which to base the practitioner's conclusion is a matter of professional judgment.

The Nature, Timing and Extent of Procedures

- A95. The practitioner chooses a combination of procedures to obtain reasonable assurance or limited assurance, as appropriate. Procedures include: inspection; observation; confirmation; re-calculation; re-performance; analytical procedures; and inquiry. Factors affecting the practitioner's selection of procedures include: the nature of the underlying subject matter; whether the engagement is a direct engagement or an attestation engagement, and the information needs of the intended users and the engaging party, including relevant time and cost constraints.
- A96. In some cases, a subject matter-specific ISAE may include requirements that affect the nature, timing and extent of procedures. For example, a subject matter-specific ISAE may describe the nature or extent of particular procedures to be performed or the level of assurance expected to be obtained in a particular type of engagement. Even in such cases, determining the exact nature, timing and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

Additional Procedures (Ref: Para. 40 (c) and 41(c))

- A97. An assurance engagement is an iterative process, and information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the evidence obtained may cause the auditor to perform additional procedures. In the case of an attestation engagement, such procedures may include asking the measurer or evaluator to examine the matter identified by the practitioner, and to make adjustments to the subject matter information if appropriate.
- A98. If, in the case of a limited assurance engagement, a matter comes to the practitioner's attention that causes the practitioner to believe the subject matter information may be materially misstated, the practitioner is required by paragraph 41(c) to design and perform additional procedures. If having done so, however, the practitioner is not able to obtain sufficient appropriate evidence to either conclude that the matter is not likely to cause the subject matter information to be materially misstated or determine with reasonable assurance that it does cause the subject matter information to be materially misstated, a scope limitation exists and paragraph 56 applies.

A Level of Assurance that is Meaningful to the Intended Users (Ref: Para. 41(a))

A99. In a limited assurance engagement, the practitioner performs a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is, nonetheless, planned to obtain a level of assurance that is meaningful to the intended users. The level of assurance the practitioner plans to obtain is not ordinarily susceptible to quantification, and whether it is meaningful to the intended users is a matter of professional judgment for the practitioner to determine in the circumstances of the engagement, including the practitioner's perception of the information needs of intended users (see paragraphs A15-A17, and A81). Factors that are relevant to consider may include, for example:

- The characteristics of the underlying subject matter and the applicable criteria, and whether there are any relevant subject matter-specific ISAEs.
- Instructions or other indications from the engaging party about the nature of the assurance the engaging party is seeking the practitioner to obtain. For example, the terms of the engagement may stipulate particular procedures that the engaging party considers necessary or particular aspects of the subject matter information the engaging party would like the practitioner to focus procedures on.
- Whether the practitioner's procedures address the material misstatements that are likely to occur in the subject matter information. For example, if the practitioner's procedures address only the aggregation of the subject matter information from base data and not the accuracy of that data, this may not result in a level of assurance that is meaningful to the intended users.
- Whether the extent of procedures is sufficient for the practitioner to draw reasonable conclusions about those aspects of the subject matter information to which the procedures are directed.
- Generally accepted practice, if it exists, with respect to assurance engagements for the particular subject matter information, or similar or related subject matter information.

A100. The practitioner's procedures include those required by relevant subject matter-specific ISAEs, if any, in accordance with paragraph 12.

Accumulating Uncorrected Misstatements (Ref: Para. 42 and 55(b))

A101. Uncorrected misstatements are accumulated during the engagement (see paragraph 42) for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner's conclusion (see paragraph 55(b)).

A102. It may be appropriate to designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the practitioner expects that the accumulation of such amounts clearly would not have a material effect on the subject matter information. "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than a matter that would be determined to be material, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is

any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

Considerations when a Practitioner's Expert is involved on the Engagement

Nature, Timing and Extent of Procedures (Ref: Para. 45)

A103. The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of a practitioner's expert when some of the assurance work is performed by a multi-disciplinary team that includes one or more practitioner's expert (see paragraph A59):

- (a) The significance of that expert's work in the context of the engagement (see paragraphs A104–A105);
- (b) The nature of the matter to which that expert's work relates;
- (c) The risks of material misstatement in the matter to which that expert's work relates;
- (d) The practitioner's knowledge of and experience with previous work performed by that expert; and
- (e) Whether that expert is subject to the practitioner's firm's quality control policies and procedures (see paragraphs A106–A107).

Integrating the work of a practitioner's expert

A104. Assurance engagements may be performed on a wide range of underlying subject matters that require specialized skills and knowledge beyond those possessed by the practitioner and for which the work of a practitioner's expert is used. In some situations the practitioner's expert will be consulted to provide advice on an individual matter, but the greater the significance of the practitioner's expert's work in the context of the engagement, the more likely it is that expert will work as part of a multi-disciplinary team comprising subject matter experts and other assurance personnel. The more that expert's work is integrated in nature, timing and extent with the overall work effort, the more important is effective two-way communication between the practitioner's expert and other assurance personnel. Effective two-way communication facilitates the proper integration of the expert's work with the work of others on the engagement.

A105. As noted at paragraph A60, when the work of a practitioner's expert is to be used, it may be appropriate to perform some of the procedures required by paragraph 45 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner's expert will be fully integrated with the work of other assurance personnel and when the work of the practitioner's expert is to be used in the early stages of the engagement, for example during initial planning and risk assessment.

The practitioner's firm's quality control policies and procedures

A106. A practitioner's internal expert may be a partner or staff, including temporary staff, of the practitioner's firm, and therefore subject to the quality control policies and procedures of that firm in accordance with ISQC 1 or other professional

requirements, or requirements in laws or regulations that are at least as demanding. Alternatively, a practitioner's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the practitioner's firm. A practitioner's external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with ISQC 1.

A107. Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the practitioner's procedures with respect to such matters as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner's evaluation of the objectivity of the practitioner's expert. Practitioner's internal experts are subject to relevant ethical requirements, including those pertaining to independence.
- The practitioner's evaluation of the adequacy of the practitioner's expert's work. For example, the firm's training programs may provide the practitioner's internal experts with an appropriate understanding of the interrelationship of their expertise with the evidence gathering process. Reliance on such training and other firm processes, such as protocols for scoping the work of the practitioner's internal experts, may affect the nature, timing and extent of the practitioner's procedures to evaluate the adequacy of the practitioner's expert's work.
- Adherence to regulatory and legal requirements, through monitoring processes.
- Agreement with the practitioner's expert.

Such reliance does not reduce the practitioner's responsibility to meet the requirements of this ISAE.

The Competence, Capabilities and Objectivity of the Practitioner's Expert (Ref: Para. 45(a))

A108. Information regarding the competence, capabilities and objectivity of a practitioner's expert may come from a variety of sources, such as:

- Personal experience with previous work of that expert.
- Discussions with that expert.
- Discussions with other practitioners or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Published papers or books written by that expert.
- The firm's quality control policies and procedures (see paragraphs A106–A107).

A109. While practitioner's experts do not require the same proficiency as the practitioner in performing all aspects of an assurance engagement, a practitioner's experts whose

work is used may need a sufficient understanding of the ISAEs to enable that expert to relate the work assigned to them to the engagement objective.

- A110. The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the practitioner's expert and the significance of the expert's work in the context of the engagement. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if in an attestation engagement a proposed practitioner's expert is an individual who has played a significant role in preparing the subject matter information.
- A111. When evaluating the objectivity of a practitioner's external expert, it may be relevant to:
- Inquire of the entity about any known interests or relationships that the entity has with the practitioner's external expert that may affect that expert's objectivity.
 - Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the practitioner's expert include:
 - Financial interests.
 - Business and personal relationships.
 - Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external expert about any interests or relationships with the entity of which that expert is aware.

Obtaining an Understanding of the Field of Expertise of the Practitioner's Expert (Ref: Para. 45(b))

- A112. Having a sufficient understanding of the field of expertise of the practitioner's expert enables the practitioner to:
- (a) Agree with the practitioner's expert the nature, scope and objectives of that expert's work for the practitioner's purposes; and
 - (b) Evaluate the adequacy of that work for the practitioner's purposes.
- A113. Aspects of the practitioner's expert's field relevant to the practitioner's understanding may include:
- Whether that expert's field has areas of specialty within it that are relevant to the engagement.
 - Whether any professional or other standards, and regulatory or legal requirements apply.
 - What assumptions and methods, including models where applicable, are used by the practitioner's expert, and whether they are generally accepted within that expert's field and appropriate in the circumstances of the engagement.
 - The nature of internal and external data or information the practitioner's expert uses.

Agreement with the Practitioner's Expert (Ref: Para. 45(c))

- A114. It may be appropriate for the practitioner's agreement with the practitioner's expert to also include matters such as the following:
- (a) The respective roles and responsibilities of the practitioner and that expert;
 - (b) The nature, timing and extent of communication between the practitioner and that expert, including the form of any report to be provided by that expert; and
 - (c) The need for the practitioner's expert to observe confidentiality requirements.
- A115. The matters noted in paragraph A107 may affect the level of detail and formality of the agreement between the practitioner and the practitioner's expert, including whether it is appropriate that the agreement be in writing. The agreement between the practitioner and a practitioner's external expert is often in the form of an engagement letter.

Evaluating the Adequacy of the Practitioner's Expert's Work (Ref: Para. 45(d))

- A116. The following matters are ordinarily relevant when evaluating the adequacy of the practitioner's expert's work for the practitioner's purposes:
- (a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other evidence;
 - (b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and
 - (c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data.
- A117. If the practitioner determines that the work of the practitioner's expert is not adequate for the practitioner's purposes, options available to the practitioner include:
- (a) Agreeing with that expert on the nature and extent of further work to be performed by that expert; or
 - (b) Performing additional procedures appropriate to the circumstances.

Written Representations (Ref: Para. 46)

- A118. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the entity. The person(s) from whom the practitioner requests written representations will ordinarily be a member of senior management or those charged with governance depending on, for example, the management and governance structure of the entity, which may vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics.
- A119. In a direct engagement where the responsibility for the underlying subject matter is prescribed by laws or regulations in sufficient detail, the practitioner may nonetheless choose to request from the responsible party a written representation that acknowledges responsibility when, for example:

- Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;
- The terms of the audit engagement were prepared in a previous year; or
- There is any indication that those responsibilities are misunderstood.

A120. Other written representations requested may include the following:

- Whether the entity believes the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the subject matter information. A summary of such items is ordinarily included in or attached to the written representation;
- That significant assumptions used in making any material estimates are reasonable; and
- That the entity has communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial and inconsequential of which the entity is aware.
- In the case of an attestation engagement where the responsible party is different from the measurer or evaluator, that the responsible party acknowledges responsibility for the underlying subject matter.

A121. Representations by the entity cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide necessary evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the auditor obtains.

Requested Written Representations Not Provided or Not Reliable (Ref: Para. 51)

A122. Circumstances in which the practitioner may not be able to obtain requested written representations include, for example, when:

- The responsible party contracts a third party to perform the relevant measurement or evaluation and later engages the practitioner to undertake an attestation engagement on the resultant subject matter information. In some such cases, for example where the responsible party has an ongoing relationship with the measurer or evaluator, the responsible party may be able to arrange for the measurer or evaluator to provide requested written representations, or the responsible party may be in a position to provide such representations if the responsible party has a reasonable basis for doing so, but in other cases this may not be so.
- An intended user engages the practitioner to undertake an attestation engagement on publicly available information but does not have a relationship with the responsible party of the kind necessary to ensure that party responds to the practitioner's request for a written representation.
- The assurance engagement is undertaken against the wishes of the measurer or evaluator. This may be the case when, for example, the engagement is

undertaken pursuant to a court order, or a public sector auditor is required by parliament to undertake a particular engagement.

In these or similar circumstances, the practitioner may not have access to the evidence needed to support the practitioner's conclusion. If this is the case paragraph 56 of this ISAE applies.

Considering Subsequent Events (Ref: Para. 52)

A123. Consideration of subsequent events in some assurance engagements may not be relevant because of the nature of the underlying subject matter. For example, when the engagement requires a conclusion about the accuracy of a statistical return at a point in time, events occurring between that point in time and the date of the assurance report may not affect the conclusion or require disclosure in the return or the assurance report.

Other Information (Ref: Para. 53)

A124. Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example:

- Requesting the entity to consult with a qualified third party, such as the entity's legal counsel.
- Obtaining legal advice about the consequences of different courses of action.
- Communicating with third parties (e.g., a regulator).
- Withholding the assurance report.
- Withdrawing from the engagement, where withdrawal is possible under applicable laws or regulations.
- Describing the material inconsistency in the assurance report.

Description of the Applicable Criteria (Ref: Para.54)

A125. The description of the applicable criteria advises intended users of the framework on which the subject matter information is based, and is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter information.

A126. A description that the subject matter information is prepared in accordance with particular criteria is appropriate only if the subject matter information complies with all the requirements of those criteria that are effective.

A127. A description of the applicable criteria that contains imprecise qualifying or limiting language (e.g., "the subject matter information is in substantial compliance with the requirements of XYZ") is not an adequate description as it may mislead users of the subject matter information.

Forming the Assurance Conclusion

Evaluating the Sufficiency and Appropriateness of Evidence (Ref: Para. 55)

A128. An assurance engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing or extent of other planned procedures. Information may come to the practitioner's attention that differs significantly from that expected and upon which planned procedures were based. For example:

- The extent of misstatements that the practitioner prevents or detects may alter the practitioner's judgment about the reliability of particular sources of information.
- The practitioner may become aware of discrepancies in relevant information, or conflicting or missing evidence.
- Analytical procedures performed towards the end of the engagement may indicate a previously unrecognized risk of material misstatement.

In such circumstances, the practitioner may need to reevaluate the planned procedures.

A129. The practitioner's judgment as to what constitutes sufficient appropriate evidence is influenced by such factors as the following:

- Significance of a potential misstatement and the likelihood of its having a material effect, individually or aggregated with other potential misstatements, on the subject matter information.
- Effectiveness of the entity's responses to address the known risks.
- Experience gained during previous assurance engagements with respect to similar potential misstatements.
- Results of procedures performed, including whether such procedures identified specific misstatements.
- Source and reliability of the available information.
- Persuasiveness of the evidence.
- Understanding of the entity and its environment.

Scope Limitations (Ref: Para. 56)

A130. A scope limitation may arise from:

- (a) Circumstances beyond the control of the entity. For example, documentation the practitioner considers it necessary to inspect may have been accidentally destroyed;
- (b) Circumstances relating to the nature or timing of the practitioner's work. For example, a physical process the practitioner considers it necessary to observe may have occurred before the practitioner's engagement; or
- (c) Limitations imposed by the entity or another party to the engagement. For example, the entity may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations

imposed by the entity or another party to the engagement may have other implications for the engagement, such as for the practitioner's consideration risks of material misstatement and engagement continuance.

- A132. An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate audit evidence by performing alternative procedures.
- A133. The set of procedures performed in a limited assurance engagement is, by definition, limited compared with that necessary in a reasonable assurance engagement. Limitations known to exist prior to accepting a limited assurance engagement are a relevant consideration when establishing whether the preconditions for an assurance engagement are present, in particular, whether the engagement exhibits the characteristics of access to evidence (paragraph 18(b)(iii)) and a rational purpose (paragraph 18(b)(v)). If a further limitation is imposed by the entity or another party to the engagement after a limited assurance engagement has been accepted, it may be appropriate to withdraw from the engagement, where withdrawal is possible under applicable laws or regulations.

Preparing the Assurance Report

Assurance Report Content

Title (Ref: Para. 58(a))

- A134. An appropriate title helps to identify the nature of the assurance report, and to distinguish it from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner.

Addressee (Ref: Para. 58(b))

- A135. An addressee identifies the party or parties to whom the assurance report is directed. The assurance report is ordinarily addressed to the engaging party, but in some cases there may be other intended users.

Subject Matter Information and Underlying Subject Matter (Ref: Para. 58(c))

- A136. Identification and description of the subject matter information and, when appropriate, the underlying subject matter includes for example:
- The point in time or period of time to which the measurement or evaluation of the underlying subject matter relates.
 - Where applicable, the name of the entity or component of the entity to which the underlying subject matter relates.
 - An explanation of those characteristics of the underlying subject matter or the subject matter information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the underlying subject matter against the applicable criteria, or the persuasiveness of available evidence. For example:
 - The degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.

- Changes in the underlying subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.

Criteria (Ref: Para. 58(d))

A137. The assurance report identifies the criteria against which the underlying subject matter was measured or evaluated so the intended users can understand the basis for the practitioner's conclusion. The assurance report may include the criteria, or refer to them if they are included in the subject matter information or if they are otherwise available from a readily accessible source. It may be relevant in the circumstances, to disclose:

- The source of the criteria, and whether or not the criteria are embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process, that is, whether they are established criteria in the context of the underlying subject matter (and if they are not, a description of why they are considered suitable).
- Measurement or evaluation methods used when the criteria allow for choice between a number of methods.
- Any significant interpretations made in applying the criteria in the engagement circumstances.
- Whether there have been any changes in the measurement or evaluation methods used.

Inherent Limitations (Ref: Para. 58(e))

A138. While in some cases, inherent limitations can be expected to be well understood by readers of an assurance report, in other cases it may be appropriate to make explicit reference in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Specific Purpose (Ref: Para. 58(f))

A139. In some cases the criteria used to measure or evaluate the underlying subject matter information may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts readers of the assurance report to this fact and that, therefore, the subject matter information may not be suitable for another purpose.

A140. In addition to the alert required by paragraph 58(f), the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, for example, the laws or regulations of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted in this way, 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 legal circumstances of each case and the relevant jurisdiction.

The Entity's and the Practitioner's Responsibilities (Ref: Para. 58(g))

A141. Identifying relative responsibilities informs the intended users that the responsible party is responsible for the underlying subject matter, and:

- (a) In the case of a direct engagement that the practitioner's role is to independently measure or evaluate the underlying subject matter and express a conclusion about the subject matter information; or
- (b) In the case of an attestation engagement, that the measurer or evaluator is responsible for the subject matter information, and the practitioner's role is to independently express a conclusion about it.

Subject Matter Specific ISAE (Ref: Para. 58(h))

A142. Where a subject matter specific ISAE applies to only part of the subject matter information, it may be appropriate to cite both that subject matter specific ISAE and ISAE 3000.

Summary of the Work Performed (Ref: Para. 58(k))

A143. The summary of the work performed helps the intended users understand the nature of the assurance conveyed by the assurance report. For many assurance engagements, infinite variations in procedures are possible in theory. In practice, however, these are difficult to communicate clearly and unambiguously. ISA 700 the ISREs and subject matter-specific ISAEs may provide guidance to practitioners on the appropriate type of summary.

A144. Where no specific ISAE provides guidance on procedures for a particular underlying subject matter, the summary might include a more detailed description of the work performed. It may be appropriate to include in the summary a statement that the work performed included evaluating the suitability of the criteria.

A145. Because in a limited assurance engagement an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, the summary of the work performed is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of procedures. It may be appropriate to indicate procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement.

A146. It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the practitioner's conclusion. In most cases this will not involve relating the entire work plan, but on the other hand it is important for it not to be so summarized as to be ambiguous, nor written in a way that is overstated or embellished.

The Practitioner's Conclusion (Ref: Para. 58(l))

- A147. Where the subject matter information 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 assurance, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement.
- A148. In an attestation engagement, the practitioner's conclusion can be worded either in terms of the underlying subject matter and the criteria (an example of such a conclusion expressed in the positive form is: "In our opinion internal control is effective, in all material respects, based on XYZ criteria") or in terms of a statement made by the measurer or evaluator (an example of such a conclusion expressed in the positive form is: "In our opinion the measurer's or evaluator's statement that internal control is effective, in all material respects, based on XYZ criteria, is fairly stated.>").
- A149. In a direct engagement, the practitioner's conclusion is always worded in terms of the underlying subject matter and the criteria.
- A150. Where appropriate, the conclusion is required to inform the intended users of the context in which the practitioner's conclusion is to be read. The practitioner's conclusion may, for example, include wording such as: "This conclusion has been formed on the basis of the matters outlined elsewhere in this independent assurance report." This would be appropriate, for example, when the report includes an explanation of particular characteristics of the underlying subject matter of which the intended users should be aware.
- A151. An example of a conclusion expressed in the negative form is: "Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria" or "Based on our work described in this report, nothing has come to our attention that causes us to believe that the measurer's or evaluator's statement that internal control is effective, in all material respects, based on XYZ criteria, is not fairly stated."
- A152. The negative form of expression conveys a level of "limited assurance" that is commensurate with the level of the practitioner's procedures given the characteristics of the underlying subject matter and other engagement circumstances described in the assurance report.
- A153. If the practitioner expresses a modified conclusion because of a scope limitation but is also aware of a matter(s) that causes that the subject matter information to be materially misstated, the assurance report contains a clear description of both the scope limitation and the matter(s) that causes that the subject matter information to be materially misstated.

Date (Ref: Para. 58(m))

- A154. Including the assurance report date informs the intended users that the practitioner has considered the effect on the subject matter information and on the assurance report of events that occurred up to that date.

Address (Ref: Para. 58(n))

- A155. Including the name of the firm or the practitioner and a specific location informs the intended users of the individual or firm assuming responsibility for the engagement.

Reference to the Practitioner's Expert in the Assurance Report (Ref: Para. 59)

- A156. In some cases, laws or regulations may require a reference to the work of a practitioner's expert in the assurance report, for example, for the purposes of transparency in the public sector. It may also be appropriate in others circumstances, for example, to explain the nature of a modification of the practitioner's conclusion, or when the work of an expert is integral to findings included in a long form report.
- A157. Nonetheless, the practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's expert. It is important therefore that if the assurance report refers to a practitioner's expert, that the wording of that report does not imply that the practitioner's responsibility for the conclusion expressed is reduced because of the involvement of that expert.
- A158. A generic reference in a long form report to the engagement having been conducted by suitably qualified personnel including subject matter experts and assurance specialist is unlikely to be misunderstood as reduced responsibility. The potential for misunderstanding is higher, however, in the case of short form reports, where minimum contextual information is able to be presented, or when the practitioner's expert is referred to by name. Therefore, additional wording may be needed in such cases to prevent the assurance report implying that the practitioner's responsibility for the conclusion expressed is reduced because of the involvement of the expert.

Form of Assurance Report (Ref: Para. 60)

- A159. Oral and other forms of expressing conclusions can be misunderstood without the support of a written 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. For example, a symbol could be hyperlinked to a written assurance report on the Internet.
- A160. This ISAE does not require a standardized format for reporting on all assurance engagements. Instead it identifies the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices, for example the bolding of text, and other mechanisms to enhance the clarity and readability of the assurance report.
- A161. The practitioner may choose a "short form" or "long form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion. As well as the basic elements, long-form reports may describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, and, in some

cases, recommendations. Whether to include any such information depends on its significance to the information needs of the intended users. As required by paragraph 60, additional information is clearly separated from the practitioner's conclusion and worded in such a manner so as not to affect that conclusion.

Other Communication Responsibilities (Ref: Para. 66)

A162. Matters that may be appropriate to communicate with the entity, management or those charged with governance of the entity or another party to the engagement or others include fraud or suspected fraud, and in the case of an attestation engagement, bias in the preparation of the subject matter information.

Documentation (Ref: Para. 67)

A163. Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of judgment, and related conclusions. The existence of difficult questions of principle or judgment, calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

A164. It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the engagement file. Similarly, the practitioner need not include in engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

A165. In applying professional judgment to assessing the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken (but not the detailed aspects of the engagement) to another practitioner who has no previous experience with 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.

A166. Documentation ordinarily includes a record of:

- The identifying characteristics of the specific items or matters tested;
- Who performed the engagement work and the date such work was completed; and
- Who reviewed the engagement work performed and the date and extent of such review.
- Discussions of significant matters with the entity and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

Quality Control

A167. Documentation ordinarily includes a record of:

- Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.

- Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions.
- Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements.
- The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

Assembly of the Final Engagement File

- A168. ISQC 1 (or other professional requirements, or requirements in laws or regulation that are at least as demanding) requires firms to establish policies and procedures for the timely completion of the assembly of engagement files. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.
- A169. The completion of the assembly of the final engagement file after the date of the assurance report is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include:
- Deleting or discarding superseded documentation.
 - Sorting, collating and cross-referencing working papers.
 - Signing off on completion checklists relating to the file assembly process.
 - Documenting evidence that the practitioner has obtained, discussed and agreed with the relevant members of the engagement team before the date of the assurance report.
- A170. After the assembly of the final engagement file has been completed, engagement documentation of any nature is not deleted or discarded before the end of its retention period.
- A171. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, regardless of the nature of the amendments or additions, the documentation includes:
- (a) The specific reasons for making the amendments or additions; and
 - (b) When and by whom they were made and reviewed.

Appendix 1

(Ref: Para. 8)

Other Terms

For purposes of this ISAE and other ISAEs, unless indicated to the contrary, the following terms have the meanings attributed below.

- (a) **Detection risk**—The risk that the procedures performed by the practitioner will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements.
- (b) **Engagement partner**—The partner or other person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.¹
- (c) **Evidence**—Information used by the practitioner in arriving at the conclusions on which the practitioner’s conclusion is based. Evidence includes both information contained in relevant information systems, if any, and other information. For purposes of the ISAEs:
 - (i) **Sufficiency of evidence** is the measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.
 - (ii) **Appropriateness of evidence** is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner’s conclusion is based.
- (d) **Engagement team**—All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes a practitioner’s external expert engaged by the firm or a network firm.
- (e) **Historical financial information**—Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
- (f) **Firm**—A sole practitioner, partnership or corporation or other entity of professional accountants.
- (g) **Fraud**—An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- (h) **Inconsistency (with respect to other information)**—Other information that contradicts an aspect of the subject matter information or the assurance report. A material inconsistency may raise doubt about the assurance conclusions drawn from evidence previously obtained and, possibly, about the basis for the practitioner’s opinion on the subject matter information.

¹ “Engagement partner,” and “firm” should be read as referring to their public sector equivalents where relevant.

- (i) Misstatement of fact (with respect to other information)—Other information that is unrelated to matters appearing in the subject matter information or the assurance report that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing subject matter information.
- (j) Other information—Information (other than the subject matter information and the assurance report thereon) which is included, either by law, regulation or custom, in a document containing subject matter information and the assurance report thereon.
- (k) Pervasive—A term used, in the context of misstatements, to describe the effects on the subject matter information of misstatements or the possible effects on the subject matter information of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate evidence. Pervasive effects on the subject matter information are those that, in the practitioner’s judgment:
 - (i) Are not confined to specific aspects of the subject matter information;
 - (ii) If so confined, represent or could represent a substantial proportion of the subject matter information; or
 - (iii) In relation to disclosures, are fundamental to the intended users’ understanding of the subject matter information.
- (l) Practitioner’s expert—An individual or organization possessing expertise in a field other than accounting or assurance, whose work in that field is used by the practitioner to assist the practitioner in obtaining sufficient appropriate evidence. A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm), or a practitioner’s external expert.
- (m) Professional judgment—The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
- (n) Professional skepticism—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.
- (o) Risk of material misstatement—The risk that the subject matter information is materially misstated. This consists of two components, described as follows:
 - (i) Inherent risk—The susceptibility of the subject matter information to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.
 - (ii) Control risk—The risk that a misstatement that occurs in the subject matter information that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control.

3. The following observations can be made about these roles:
- Every assurance engagement has at least a responsible party and intended users, in addition to the practitioner.
 - The practitioner cannot be the responsible party, the engaging party or an intended user.
 - In a direct engagement, the practitioner is also the measurer or evaluator.
 - In an attestation engagement, the responsible party, or someone else, but not the practitioner, can be the measurer or evaluator.
 - Where the practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.
 - The responsible party can be the engaging party.
 - In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator, is when the practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organization about a private company's sustainability practices.
 - In an attestation engagement, the measurer or evaluator ordinarily provides the practitioner with a written representation about the subject matter information. In some cases, the practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
 - The responsible party can be one of the intended users, but not the only one.
 - The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, 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.
 - An engaging party that is not also the responsible party can be the intended user.