

**ISAE 3000<sup>1</sup>—Issues and Task Force Proposals****Background**

1. Extant ISAE 3000 was approved by the IAASB in December 2003. At the time of its release, the IAASB acknowledged that assurance services beyond audits and reviews of historical financial information are an evolving field and, accordingly, decided that ISAE 3000 should be kept under review.
2. A survey was conducted in 2009 to ensure that this project was correctly scoped. The survey results indicated that while clarification of some issues would be of benefit, overall extant ISAE 3000 is being applied in practice around the world without serious difficulty. Accordingly, the project proposal<sup>2</sup> to revise ISAE 3000 was approved by the IAASB in March 2009.
3. The main objectives of the revision were: (i) to incorporate enhanced requirements and guidance in the light of experiences with extant ISAE 3000 and the extensive and growing use of ISAE 3000 by professional accountants and NSS around the world; and (ii) to adopt the clarity drafting conventions.
4. An Exposure Draft (ED-3000) was issued in April 2011 and 57 comment letters were received (see **Appendix A** for a list of respondents). Since the end of the comment period of ED-3000 in August 2011, the IAASB has discussed the project, including at its June and September 2012 meetings.

**Structure**

5. This paper is structured as follows:
  - Section I – Direct Engagements
  - Section II – Limited Assurance (LA) and Reasonable Assurance (RA)
  - Section III – Application of ISAE 3000 by Competent Practitioners

**Matters for Discussion***Section I – Direct Engagements*

## Changes in Terminology

6. ED-3000 proposed a change in terminology from “assertion-based engagements” to “attestation engagements,” as well as from “direct-reporting engagements” to “direct engagements.” ED-3000 also explained that the definitions were now focused on who measures or evaluates the underlying

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<sup>1</sup> International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>2</sup> [www.ifac.org/sites/default/files/meetings/files/4655.pdf](http://www.ifac.org/sites/default/files/meetings/files/4655.pdf)

subject matter against criteria. A majority<sup>3</sup> of respondents supported the proposed changes in terminology from “assertion-based engagements” to “attestation engagements” as well as those from “direct-reporting engagements” to “direct engagements.” For example, a few respondents noted that the revised terminology better reflects the nature of the engagements themselves.<sup>4</sup> Other<sup>5</sup> respondents disagreed with the proposed changes. Concerns expressed included that “attestation” is sometimes used to refer to assurance, compilation and agreed-upon procedures engagements,<sup>6</sup> that the terms are seen to be vague and confusing to users,<sup>7</sup> may be hard to translate,<sup>8</sup> and that the underlying engagements have not been changed enough to justify a change in terminology from the extant.<sup>9</sup>

#### Task Force response

7. The Task Force agreed with respondents who highlighted that, while the changes to the underlying engagements are subtle, the changed terminology is more descriptive of the underlying engagements. The Task Force notes that the term “attestation” was chosen rather than “attest” to minimize confusion with jurisdictions that use “attest” engagements in their literature. Further, the Task Force does not believe that these terms are any more difficult to translate than existing terms.

#### Definitions Related to Attestation and Direct Engagements

8. A majority<sup>10</sup> of respondents agreed that ED-3000 properly defines, and explains the difference between, direct engagements and attestation engagements. However, many of these respondents expressed concerns, including that more application material was needed on direct engagements, such as examples of typical direct engagements,<sup>11</sup> that examples of attestation engagements were needed,<sup>12</sup> and that application material should reinforce the differentiation between direct and attestation engagements.<sup>13</sup>

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<sup>3</sup> ACAG, AGBC, AGO, AGQ, AGSA, AICPA, AOB, ASSIREVI, AUASB, CAASB, CIPFA, CGA, CNDCEC, Deloitte, DFSA, EYG, FAR, FEE, GAO, IBR-IRE, ICAEW, ICAP, ICPAS, IDW, IRBA, ISACA, JICPA, KPMG, LRQA, MIA, NZAUASB, PAS, PWC, RSM, SAICA, SMPC, UKNAO, WAO, ZICA

<sup>4</sup> DFSA, IDW

<sup>5</sup> ACCA, CMA, EFAA, FSR, GTI, HKICPA, NBA, NOREA

<sup>6</sup> ACCA, GTI, JICPA, SMPC

<sup>7</sup> CMA, EFAA

<sup>8</sup> FEE, FSR, SMPC

<sup>9</sup> NBA, NOREA

<sup>10</sup> ACAG, ACCA, AGBC, AGO, AGQ, AOB, ASSIREVI, AUASB, CAASB, CIPFA, CGA, CMA, CNDCEC, Deloitte, DFSA, EFAA, HOTARAC, IBR-IRE, ICAP, ICPAS, IDW, IIA, IRBA, ISACA, JICPA, KPMG, MIA, NZAUASB, PAS, PWC, RSM, SMPC, UKNAO, WAO, ZICA

<sup>11</sup> ACAG, AICPA, AUASB, CIPFA, Deloitte, EFAA, FAR, HOTARAC, ICAEW, IRBA, NZAUASB, SAICA, UKNAO

<sup>12</sup> ACAG, AUASB, EFAA, HOTARAC, NZAUASB

<sup>13</sup> Deloitte, FEE, FSR, IRBA, KPMG, PWC, SAICA, SMPC

9. Other<sup>14</sup> respondents did not agree with the definitions of attestation and direct engagements adopted in ED-3000. Amongst other concerns, respondents variously expressed views that showed a preference for existing national standards<sup>15</sup>, a belief that the definition of direct engagements is too conceptual,<sup>16</sup> and that key terms in the definitions also need to be defined.<sup>17</sup> These respondents also agreed with many of the concerns expressed by those who broadly supported the definitions included in ED-3000 (these respondents have been included in the footnotes in paragraph 8 above).
10. However, respondents had significant concerns about the applicability of other definitions to direct engagements, believing that they reflected an “attestation” or “financial statement” focus. Many of these comments were based on the definition of misstatements, and the belief that they do not apply to all direct engagements.
11. For example, many<sup>18</sup> respondents were of the view that the definition of “misstatements” in ED-3000 is not relevant in a direct engagement context where the practitioner has a role in preparing part or all of the subject matter information. Another respondent noted that the term “proper measurement or evaluation” which appears in the definition is not developed as a concept<sup>19</sup> - and that a greater focus on the assurance process would enable definitions to better reflect the differences between the two forms of engagement. Other responses included that the definition was difficult to follow,<sup>20</sup> that the term “error or fraud” should be used in the definition,<sup>21</sup> and that some of the requirements which use the term misstatements appear to relate mostly to attestation engagements.<sup>22</sup>
12. Many of these concerns about the application of ISAE 3000 to direct engagements carry over to the objective of the standard. For example, one<sup>23</sup> respondent noted that the objectives in the proposed standard may be too narrowly specified.

#### Task Force response

13. The Task Force acknowledges that many respondents found the application of the concept of “misstatements” to direct engagements difficult. This was reinforced by outreach to public sector practitioners by the Task Force and IAASB staff. The Task Force acknowledges that, while technically the concept of a misstatement is appropriate to both direct and attestation engagements, many public sector practitioners do not come from a financial statement audit

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<sup>14</sup> AGC, AICPA, FAR, FEE, FSR, GTI, ICAEW, LRQA, NBA, NOREA

<sup>15</sup> AGC

<sup>16</sup> ICAEW

<sup>17</sup> GTI

<sup>18</sup> ACAG, AGBC, AGC, AGM, AGO, AGQ, AGSA, AICPA, AUASB, CAASB, CIPFA, CGA, CNDCEC, DFSA, ICAP, MIA, PAS, SAICA, WAO

<sup>19</sup> ACCA

<sup>20</sup> IRBA

<sup>21</sup> NBA, NOREA

<sup>22</sup> KPMG

<sup>23</sup> AGBC

background and do not approach these engagements in this way. To put it differently, the concept of a misstatement in a direct engagement is not meaningful to many of the practitioners it was intended to inform.

14. However, the concept of a misstatement is deeply embedded in the ISAE, as it appears in the objective, many definitions, risk assessments and risk considerations requirements, and, not least, many of the practitioner’s conclusions. Accordingly, the Task Force reevaluated the implications of the overarching purpose of an assurance engagement, that is, to obtain assurance and express a conclusion designed to enhance the degree of confidence of the intended users about a matter. In ISAE 3000, which must address unknown subject matters, the ‘matter’ is articulated by the phrase “the outcome of the measurement or evaluation of the underlying subject matter against criteria.” This overarching purpose is not predicated on the concept of a misstatement.
15. Further, the Task Force has redrafted the definition of ‘misstatement’ to clarify the definition in response to comments received (see paragraph 8(n) of Agenda Item 5-D). However, the more significant change is to broaden the objectives of the ISAE to make them more relevant to both direct and attestation engagements. The redrafted objectives avoid the use of the term ‘misstatement’ (see paragraph 6 of Agenda Item 5-D). Further, the Task Force has amended the definitions of ‘evidence’ and ‘risk of material misstatement’ (see paragraphs 8(i) and (v) of Agenda Item 5-D).
16. In turn, these changes enabled the Task Force to more clearly differentiate the requirements for direct and attestation engagements in key work effort paragraphs via a tabular format similar to that shown in ISAE 3410<sup>24</sup> (see paragraphs 37-42A of Agenda Item 5-D).
17. For direct engagements, these changes mean a greater focus on the risk that the practitioner issues an inappropriate<sup>25</sup> conclusion when a modified conclusion is warranted (also known as “engagement risk”). To put it in terms of the overall purpose of an assurance engagement, this is the risk that the practitioner expresses the wrong conclusion and inappropriately enhances the degree of confidence of the intended users. In the Task Force’s view, this is an approach that will be meaningful to practitioners performing direct engagements. It should be noted, however, that the Task Force’s view is that the concept of misstatements still applies to direct engagements.
18. For attestation engagements, these changes have resulted in the Task Force being able to focus more explicitly on the attestation engagements. This will support practitioners who undertake only attestation engagements by simplifying the standard.
19. However, a number of Task Force members notes that the effect of all of these changes to support direct engagements is a reduction in readability and increase in the complexity of the draft ISAE that may not be an improvement on extant ISAE 3000.

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<sup>24</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>25</sup> The term “inappropriate conclusion” has been chosen to remain consistent with the definition of “audit risk” in paragraph 13(c) of ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

## Other Changes in Support of Direct Engagements

20. The Task Force has taken the opportunity to reflect on the appropriateness of certain requirements and application material in relation to direct engagements. Briefly, the key changes proposed by the Task Force are:

- Examples of direct and attestation engagements – these additional examples illustrate how an assurance engagement on the same underlying subject matter will differ between direct and attestation engagements (paragraph A6B of Agenda Item 5-D).
- Preconditions for an assurance engagement (Paragraph 20(b)(ii-iii) of Agenda Item 5-D) – these have been edited to allow for direct engagements where the criteria may be developed after the engagement has been accepted, and to specify that the practitioner must expect to be able to obtain the evidence needed to support the practitioner’s conclusion. Application material (paragraphs A33A and A52A of Agenda Item 5-D) support these requirements, and also highlight that in a direct engagement all of the preconditions may not be satisfied before the engagement is accepted (for example, the practitioner may not know if suitable criteria will be able to be developed), however all preconditions must be satisfied prior to forming a conclusion.
- Suitable criteria – Paragraph 37 of Agenda Item 5-D has been amended to require the practitioner in a direct engagement to develop or apply the suitable criteria, supported by appropriate application material (paragraph A10 of Agenda Item 5-D). An example has also been provided to illustrate a circumstance when the practitioner would have to determine the suitable criteria (paragraph A10 of Agenda Item 5-D). Further, the application material now incorporates material from the Framework<sup>26</sup> addressing circumstances when suitable criteria are only available for one or more aspects of the underlying subject matter (paragraph A33B of Agenda Item 5-D).
- Materiality – Qualitative and quantitative factors have been added to paragraph A88 of Agenda Item 5-D to better reflect the materiality considerations likely to arise in a direct engagement.
- Assurance procedures – New application material explains that procedures may differ between attestation and direct engagements, although the requirement to obtain sufficient appropriate evidence is applicable to both (paragraph A94A of Agenda Item 5-D).

## Independence in a Direct Engagement

21. Several<sup>27</sup> respondents expressed concern about the independence of practitioners in a direct engagement, as the practitioner prepares the subject matter information and may be involved in selecting the criteria. Another<sup>28</sup> respondent sought to understand how users would become aware of the direct practitioner’s role in the engagement.

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<sup>26</sup> *International Framework for Assurance Engagements*

<sup>27</sup> AICPA, CGA, CMA, EFAA, IBR-IRE, IRBA,NBA, NOREA

<sup>28</sup> KPMG

22. While setting independence requirements for assurance engagements is not within the role of the IAASB, the Task Force notes that the IESBA Code<sup>29</sup> specifically permits direct engagements.<sup>30</sup> However, the changes to the terminology used to describe the types of engagements (specifically, the terms “direct” and “attestation” engagements, see paragraph 6 above) may give rise to the need for consequential changes to the IESBA Code. IAASB staff has liaised with IESBA staff regarding the IESBA Code’s material on assurance engagements and will continue to do so over the coming months.

**Matters for IAASB Consideration**

1. What views does the IAASB have on the changes made from ED-3000 to improve the clarity and appropriateness of requirements and application material addressing direct engagements?
2. Does the IAASB support the use of the “two column” or “tabular” format for attestation and direct engagements within ISAE 3000, as is described in paragraph 16?

*Section II – LA and RA*

23. At its September 2012 meeting, views expressed by the IAASB included that while the proposals regarding LA were technically correct, that they were hard to understand, and that some wished to understand what differences existed between the Task Force’s proposals and recently approved standards addressing LA. By contrast, few comments were made regarding RA, indicating that finding terminology to describe the LA work effort continues to be challenging.
24. The Task Force has deliberated further on the definitions and work effort applicable to LA and RA in response to the IAASB’s comments at its September 2012 meeting. These discussions showed that, while the Task Force is in agreement on the position adopted for RA, there were two distinct perspectives within the Task Force on the definitions, terminology and the impact thereof on the work effort for LA. The Task Force has been unable to reconcile these two perspectives and believes that the IAASB should provide direction on which of these perspectives should be further pursued. This will enable the Task Force to focus on that option which is more acceptable to the IAASB and progress the drafting in an efficient manner.
25. The Task Force has explored two ways of describing the work effort for LA, which are set out in the table below. The major points of the two perspectives, henceforth titled “Option 1” and “Option 2” are outlined in the table below, together with the Task Force’s view of the perceived advantages and disadvantages of each. In essence, Option 1 uses the term “acceptable level of risk” in key work effort paragraphs and is focused on providing a conceptually sound base. The alternative, Option 2, uses terms such as “may,” “likely,” and “not likely” in key work effort paragraphs and is focused on consistency with the approach taken in recently issued IAASB Standards such as ISAE 3410 and ISRE 2400.<sup>31</sup>

<sup>29</sup> *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code).

<sup>30</sup> See paragraph 290.20 of the IESBA Code.

<sup>31</sup> International Standards on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*

26. While debating these options the Task Force has, nevertheless, continued to develop both options to avoid holding up the finalization of this ISAE. Accordingly:
- Appendix B to this paper includes the key requirements that have been drafted for both Option 1 and Option 2.
  - Appendix C to this paper includes extracts from relevant IAASB standards and pronouncements for comparable paragraphs.
  - Agenda Items 5-C and 5-D contain the current draft of ISAE 3000 in clean and marked form respectively. Although drafting to reflect both Options have been developed, the drafts of the ISAE reflect only Option 1, and will be amended to reflect Option 2 if that is the option the IAASB prefers.

Option 1	Option 2
<p><u>Summary</u></p> <p>Option 1 is based on ED-3000.</p>	<p><u>Summary</u></p> <p>Option 2 is based on the IAASB’s recently approved standards ISAE 3410 and ISRE 2400.</p>
<p><u>Key Features</u></p> <ul style="list-style-type: none"> <li>• Consistent with ED-3000</li> <li>• Require consequential amendments to ISAE 3410 and, if the Framework is also amended, ISRE 2400</li> <li>• Avoids the use of the terms “may,” “likely,” and “not likely” and the different interpretations possible of those terms</li> <li>• May be difficult for practitioners to understand and apply due to conceptual phraseology.</li> <li>• For example, paragraph 42 of Appendix B states (for Option 1) 5-D “...the practitioner shall identify areas in the subject matter information where material misstatements <u>have a greater than acceptable risk of occurring</u>”</li> </ul>	<p><u>Key Features</u></p> <ul style="list-style-type: none"> <li>• Consistent with ISAE 3410 and ISRE 2400, and so consequential amendments will be minimal</li> <li>• Uses simpler language such as “may”, “likely” and “not likely”</li> <li>• As “may”, “likely” and “not likely” are not defined, may give rise to differing interpretations.<sup>32</sup></li> <li>• Different interpretations by practitioners may lead to differing work effort across practitioners or across jurisdictions and cultures</li> <li>• For example, paragraph 42 of Appendix B states (for Option 2) “...the practitioner shall identify areas in the subject matter information where material misstatements <u>are likely to arise</u>”</li> </ul>

<sup>32</sup> Other standard setters have defined or described probabilistic terms such as these in their literature. See, for example, the FASB position on “remote,” “reasonably likely,” “more likely than not”, and “probable” available at [www.fasb.org/cs/BlobServer?blobkey=id&blobwhere=1175824954025&blobheader=application%2Fpdf&blobcol=urldata&blobable=MungoBlobs](http://www.fasb.org/cs/BlobServer?blobkey=id&blobwhere=1175824954025&blobheader=application%2Fpdf&blobcol=urldata&blobable=MungoBlobs). A further example is contained in Consultation Paper 187 issued by the Australian Securities and Investments Commission Consultation Paper, which proposes to adopt the position when likely means “more probable than not” (see paragraphs 70-71 in [www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/cp187-published-17-September-2012.pdf/\\$file/cp187-published-17-September-2012.pdf](http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/cp187-published-17-September-2012.pdf/$file/cp187-published-17-September-2012.pdf)).

27. The Task Force has divergent views on the merits of these two options, and disagree on whether the work effort and evidence required may differ between the two options. The two views are outlined in the following paragraphs.
28. Task Force members who favor Option 1 believe that the use of “may”, “likely” and “not likely” in Option 2 suggest that the thresholds for determining the work effort and evidence required do not vary for different assurance or risk levels that the practitioner might choose from within the allowed range for limited assurance.<sup>33</sup> In their view, the use of threshold “not likely” for the “deep dive”<sup>34</sup> suggests that additional procedures may be ceased when the evidence obtained indicates that a misstatement is “more likely than not” or “improbable” (depending upon how the practitioner interprets “not likely”) even though the acceptable level of risk may be lower than either of these thresholds. These Option 1 proponents see a risk that practitioners may obtain less assurance than the assurance originally considered meaningful.
29. Task Force members who favor Option 2 note that it uses the terms “may”, “likely” and “not likely” in a manner similar to ISAE 3410 and ISRE 2400. The proponents of Option 2 believe that the terms “may,” “likely,” and “not likely”, result in an appropriate work effort for limited assurance engagements but are more comprehensible for practitioners than referring to “an acceptable level of risk.” Although proponents of Option 2 recognize that the scope of application of ISAE 3000 is broader than that of ISAE 3410 and ISRE 2400, they do not believe that the terms “may”, “likely” and “not likely” in these paragraphs could be read to override the objectives and the requirements of the standard, including the requirement to evaluate the sufficiency and appropriateness of evidence obtained, as set forth in paragraph 55A of ISAE 3000.<sup>35</sup>

#### Section II-A – Definitions of LA and RA

30. The Task Force proposes changes (see paragraph 8(a)(i)(b) of Agenda Item 5-D) that are responsive to the IAASB’s comments at its September 2012 meeting. In particular, the Task Force has taken the opportunity to draw upon the definition of LA in ISRE 2400 which emphasizes the level of assurance to be obtained by the practitioner rather than that provided to users. The Task Force has also aligned the structure of the definitions of LA and RA to enable readers of the ISAE to more easily compare the two.
31. The Task Force notes that public sector respondents, as well as other respondents familiar with direct engagements, suggested that ED-3000, including the definition of LA, was too attestation-focused (see the discussion of direct engagements in Section I above). In relation to the definition of LA, in particular, a respondent<sup>36</sup> was unconvinced that the term ‘misstatement’, which appeared

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<sup>33</sup> Based on the Assurance Framework, in an LA engagement, a practitioner is required to obtain a meaningful level of assurance, that is, when engagement risk has been reduced to an acceptable level. A meaningful level of assurance can range from a level that is just above the lowest level (which is “clearly more than inconsequential” (see paragraph A2 of Agenda Item 5-D) to just below that of RA).

<sup>34</sup> See paragraph 42A (a) of Appendix B)

<sup>35</sup> Proponents of Option 2 further note that additional application material to paragraph 55A was suggested by the Task Force in paragraph A132G to clarify that when the practitioner has obtained less evidence than originally expected, the evidence obtained is not sufficient and appropriate to be able to form a conclusion.

<sup>36</sup> CAASB

in the form of the practitioner’s conclusion, should be central to definitions of assurance, as they understood this to be a term applicable to attestation engagements (see paragraph 11 above for further discussion of the term ‘misstatement’). The Task Force has responded to this comment by removing the reference to the form of the practitioner’s conclusion from the LA definition, noting that it was superfluous to the objective of the definition of LA and was not consistent with the structure of the definition of RA.

#### Section II-B – Work Effort for LA

32. The Task Force has reflected upon the IAASB’s comments at its September 2012 meeting that the work effort paragraphs for LA and RA were difficult to compare due to inconsistent structure and terminology, that further application material was needed to explain key concepts, and that the term “acceptable level of risk in the engagement circumstances” was difficult to understand. The Task Force also considered the material in light of the recently approved ISAE 3410 and ISRE 2400.
33. As noted in paragraphs 24-26 above, the Task Force has pursued two options with respect to LA. Accordingly, Appendix B illustrates two versions of the LA work effort paragraphs. As noted in Section I above, amendments have also been made to reflect comments received regarding ED-3000’s approach to direct engagements

#### **Matters for IAASB Consideration**

3. To aid the Task Force in progressing ISAE 3000, the IAASB is asked to express a clear preference for either Option 1 or Option 2.
4. If the IAASB prefers Option 2, should the terms “may,” “likely,” and “not likely” be defined or alternatively, should additional application or other explanatory information be added where these terms are used?

#### *Section III – Application of ISAE 3000 by Competent Practitioners*

34. ED-3000 proposes that competent practitioners who are not professional accountants should be permitted to apply ISAE 3000. In permitting this, the IAASB recognized that the definition of a professional accountant<sup>37</sup> excludes many assurance professionals who already perform ISAE 3000 engagements or similar engagements under national standards. For example:
  - In the US the IFAC member body is the American Institute of Certified Public Accountants (AICPA), but many accountants are licensed via state licensing authorities, and are, therefore, not required to be members of the AICPA to practice.
  - In Australia, all members of an accounting/audit firm are members of the associated IFAC member body, although they may not have assurance skills and techniques.
  - In the public sector, many of the engagement team and the engagement partners (or public sector equivalents) may not be members of an IFAC member body, despite their knowledge and experience with assurance.

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<sup>37</sup> A professional accountant is defined in the IAASB Glossary as “An individual who is a member of an IFAC member body.”

35. The position adopted in ED-3000 also recognized the reality that the IAASB is not able to prevent people from asserting compliance with its standards, and that it would be preferable to instead set out clear requirements for these circumstances. This is also responsive to practical examples of assurance engagements, such as sustainability, being performed by practitioners other than professional accountants.
36. Therefore, ED-3000 requires that:
- The practitioner must have sufficient knowledge and experience with assurance skills and techniques;
  - The members of the engagement team and the engagement quality control reviewer (if any) are subject to Parts A and B of the IESBA Code issued by the International Ethics Standards Board for Accountants (IESBA) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A28–A32)
  - The practitioner who is performing the engagement is a member of a firm that is subject to International Standard on Quality Control (ISQC) 1,<sup>38</sup> or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as ISQC 1.
37. The majority<sup>39</sup> of respondents broadly supported the position adopted in ED-3000. Respondents also suggested that, for example: safeguards, such as oversight or registration by a regulator, were needed;<sup>40</sup> application by non-‘professional accountants’ should only be permitted in the public sector;<sup>41</sup> the IAASB should engage in education and outreach to relevant competent practitioners;<sup>42</sup> ‘professional auditors’ should be permitted to use ISAE 3000;<sup>43</sup> ISRS 4410<sup>44</sup> should also be broadened to permit application by competent practitioners;<sup>45</sup> requirements on professional education are needed;<sup>46</sup> and the drafting of ISAE 3000 should be simplified to enhance readability for non-‘professional accountants.’ However, some<sup>47</sup> respondents disagreed with the extension to non-‘professional accountants’, noting, for example, that it may lead to inconsistent quality,<sup>48</sup> that

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<sup>38</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>39</sup> ACAG, ACCA, AGC, AGO, AGQ, AGSA, AICPA, AOB, ASSIREVI, AUASB, CAASB-CICA, CIPFA, CNDCEC, Deloitte, DFSA, EFAA, EYG, FAR, FEE, FSR, GAO, GTI, HKICPA, HOTARAC, ICAEW, ICAP, ICPAS, IDW, IRBA, ISACA, JICPA, KPMG, LRQA, MIA, NBA, NOREA, NZAUASB, PAS, PWC, RSM, SAICA, SMPC, UKNAO, WAO, ZICA

<sup>40</sup> ACCA, AGSA, CNDCEC, ICAEW, IRBA, SMPC,

<sup>41</sup> HKICPA

<sup>42</sup> CAASB

<sup>43</sup> GAO

<sup>44</sup> International Standards on Related Services (ISRS) 4410, *Compilation Engagements*

<sup>45</sup> KPMG

<sup>46</sup> AUASB, ICAEW

<sup>47</sup> AGBC, CGA, IBR-IRE, IIA

<sup>48</sup> AGBC

these practitioners may lack sufficient assurance skills and experience,<sup>49</sup> and that it may inadvertently scope in some internal audit engagements.<sup>50</sup>

38. The Task Force agreed with respondents who called for an explicit statement from non-‘professional accountants’ on the specific ethical and quality control standards they have used (see paragraphs 60(i) and (j) of Agenda Item 5-D). In considering the other comments received, the Task Force noted that:

- The IAASB is not able to set regulatory or oversight requirements for its standards, nor is it able to set professional education requirements.
- Restricting application by non-‘professional accountants’ to the public sector would not address the problems with the extant definition of ‘professional accountant.’”
- The Task Force also noted that education and outreach opportunities may arise after the issuance of ISAE 3000 that can support adoption by non-‘professional accountants.’

**Matters for IAASB Consideration**

5. Does the IAASB support the application of ISAE 3000 by competent practitioners other than professional accountants?
6. Does the IAASB believe that the requirements to specify the code of ethics and quality control requirements will be useful to users of the non-‘professional accountant’s’ assurance reports?

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<sup>49</sup> AGBC

<sup>50</sup> IIA

**Appendix A**

<b>LIST OF RESPONDENTS-EXPOSURE DRAFT OF ISAE 3000</b>		
#	Abbrev.	Respondent (57)
<b>IFAC Boards and Committees (1)</b>		
1.	IFAC SMP	SMP Committee
<b>Member Bodies (19)</b>		
2.	ACCA	The Association of Chartered Certified Accountants
3.	AICPA	The American Institute of Certified Public Accountants
4.	CGA	Certified General Accountants in Canada
5.	CIPFA	Chartered Institute of Public Finance and Accountancy
6.	CMA-Canada	The Society of Management Accountants of Canada
7.	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
8.	FAR	FAR - Branschorganisationen för revisorer och rådgivare
9.	FSR	Foreningen af Statsautoriserede Revisorer
10.	HKICPA	Hong Kong Institute of Certified Public Accountants
11.	IBR-IRE	Institut des Réviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren
12.	ICAEW	The Institute of Chartered Accountants in England and Wales
13.	ICAP	Institute of Chartered Accountants of Pakistan
14.	ICPAS	Institute of Certified Public Accountants of Singapore
15.	IDW	Institut der Wirtschaftsprüfer
16.	JICPA	The Japanese Institute of Certified Public Accountants
17.	MIA	Malaysian Institute of Accountants
18.	NBA	Nederlandse Beroepsorganisatie van Accountants
19.	SAICA	The South African Institute of Chartered Accountants
20.	ZICA	Zambia Institute of Chartered Accountants
<b>Regulators and Oversight Authorities (4)</b>		
21.	AOB	Audit Oversight Board (Malaysia)
22.	EBA	European Banking Authority
23.	DFSA	Dubai Financial Services Authority
24.	IOSCO	International Organization of Securities Commissions

<b>National Auditing Standard Setters (5)</b>		
25.	APB	Auditing Practice Board
26.	AUASB	Australian Auditing and Assurance Standards Board
27.	CAASB	Canadian Auditing and Assurance Standards Board
28.	IRBA	Independent Regulatory Board for Auditors
29.	NZAASB	New Zealand Auditing and Assurance Board
<b>Public Sector Organizations (11)</b>		
30.	ACAG	Australasian Council of Auditors-General
31.	AGBC	Auditor General of British Columbia
32.	AGC	Office of the Auditor General of Canada
33.	AGM	Auditor General of Manitoba
34.	AGO	Auditor General of Ontario
35.	AGQ	Auditor General of Quebec
36.	AGSA	Auditor General of South Africa
37.	GAO	United States Government Accountability Office
38.	NAO-UK	UK National Audit Office
39.	PAS	Provincial Auditor Saskatchewan
40.	WAO	Wales Audit Office
<b>Accounting Firms (6)</b>		
41.	DTT	Deloitte Touche Tohmatsu
42.	EYG	Ernst & Young Global
43.	GTI	Grant Thornton International Ltd
44.	KPMG	KPMG IFRG Limited
45.	PWC	PricewaterhouseCoopers
46.	RSM	RSM International
<b>Other Professional Organizations (10)</b>		
47.	ASSIREVI	ASSIREVI
48.	EFAA	European Federation of Accountants and Auditors for SMEs
49.	FEE	Federation des Experts Comptables Europeens
50.	HKEX	The Stock Exchange Hong Kong
51.	HoTARAC	Australian Dept of Treasury and Finance

52.	IIA-AU	The Institute of Internal Auditors - Australia
53.	ISACA	Information Systems Audit and Control Association
54.	LRQA	Lloyd's Register Quality Assurance Ltd
55.	NOREA	NOREA, de beroepsorganisatie van IT-auditors
56.	SRA	SRA
<b>Individuals and Others (1)</b>		
57.	J. Maresca	Dr. Joseph S. Maresca

## Appendix B

### Options for Addressing LA Work Effort

<b>Understanding the Entity/Internal Controls/Risk Assessment/”Risk Aware”</b>
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#### Option 1 – Based on ED-3000

##### *Understanding the Underlying Subject Matter and Other Engagement Circumstances*

37(T). When performing an attestation engagement, the practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:

- (a) For a reasonable assurance engagement,
  - (i) Enable the practitioner to identify and assess the risk of material misstatement in the subject matter information, and
  - (ii) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s conclusion; and
- (b) For a limited assurance engagement,
  - (i) Enable the practitioner to identify areas where material misstatements of the subject matter information have a greater than acceptable risk of occurring, and
  - (ii) Thereby, provide a basis for designing and performing procedures to address those areas and to obtain limited assurance to support the practitioner’s conclusion. (Ref: Para. A92–A93A)

37A(T). When performing an attestation engagement and obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 37, the practitioner shall:

- (a) For a reasonable assurance engagement, obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of controls and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter information.
- (b) For a limited assurance engagement, consider the process used to prepare the subject matter information. (Ref: Para. A93B)

#### Option 2 – Based on Recently Approved Standards

##### *Understanding the Underlying Subject Matter and Other Engagement Circumstances*

37. When performing an attestation engagement, the practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:

- (a) For a reasonable assurance engagement,

- (i) Enable the practitioner to identify and assess the risk of material misstatement in the subject matter information, and
  - (ii) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's conclusion; and
- (b) For a limited assurance engagement,
- (i) Enable the practitioner to identify areas in the subject matter information where material misstatements are likely to arise, and
  - (ii) Thereby, provide a basis for designing and performing procedures to address those areas and to obtain limited assurance to support the practitioner's conclusion. (Ref: Para. A92–A93A)
- 37A. When performing an attestation engagement and obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 37, the practitioner shall:
- (a) For a reasonable assurance engagement, obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of controls and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter information.
  - (b) For a limited assurance engagement, consider the process used to prepare the subject matter information. (Ref: Para. A93B)

[NB – Appendix C contains examples of the approach taken in other IAASB pronouncements regarding similar paragraphs]

<b>Developing and Performing Procedures, including the Deep Dive</b>
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**Option 1 – Based on ED-3000**

42. In a limited assurance engagement, based on the practitioner's understanding (see paragraph 37(b)), the practitioner shall: (Ref: Para. A95A)
- (a) identify areas in the subject matter information where material misstatements have a greater than acceptable risk of occurring; and
  - (b) design and perform procedures to address those areas and obtain a level of assurance that is meaningful.
- 42A. If, in a limited assurance engagement, the practitioner becomes aware of a matter(s) that causes the practitioner to believe that there is a greater than acceptable risk of the subject matter information being materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to:
- (a) Conclude that the risk of a material misstatement in the subject matter information arising from the matter(s) is acceptable in the engagement circumstances (that is, limited assurance has been obtained); or

- (b) Determine that the matter(s) causes the subject matter information to be materially misstated.

**Option 2 – Based on Recently Approved Standards**

- 42. In a limited assurance engagement, based on the practitioner's understanding (see paragraph 37(b)), the practitioner shall: (Ref: Para. A95A)
  - (a) identify areas in the subject matter information where material misstatements are likely to arise; and
  - (b) design and perform procedures to address those areas and obtain a level of assurance that is meaningful.
- 42A. If, in a limited assurance engagement, the practitioner becomes aware of a matter(s) that causes the practitioner to believe that the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence sufficient to enable the practitioner to:
  - (a) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or
  - (b) Determine that the matter(s) causes the subject matter information to be materially misstated.

[NB – Appendix C contains examples of the approach taken in other IAASB pronouncements regarding similar paragraphs]

## Extracts From Relevant IAASB Standards and Publications Addressing the Work Effort for LA

<b>Understanding the Entity/Internal Controls/Risk Assessment/"Risk Aware" from other IAASB Pronouncements</b>
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### Current ISAE 3000

15. The practitioner should obtain an understanding of the subject matter and other engagement circumstances, sufficient to identify and assess the risks of the subject matter information being materially misstated, and sufficient to design and perform further evidence-gathering procedures

### ED-3000

#### Obtaining Evidence

37. The practitioner shall obtain an understanding of the underlying 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. A92–A93)
42. In a limited assurance engagement, the practitioner shall:
- (a) Based on the practitioner's understanding (see paragraph 37) and consideration of areas where material misstatements are likely to arise, 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. A2)...

### ISAE 3410

#### *Obtaining an Understanding of the Entity and Its Environment*

23. The practitioner shall obtain an understanding of the following: (Ref: Para. A52–A53)
- (a) Relevant industry, regulatory, and other external factors including the applicable criteria.
- (b) The nature of the entity, including:
- (i) The nature of the operations included in the entity's organizational boundary, including: (Ref: Para. A27–A28)
- a. The sources and completeness of emissions and, if any, sinks and emissions deductions;
- b. The contribution of each to the entity's overall emissions; and
- c. The uncertainties associated with the quantities reported in the GHG statement. (Ref: Para. A54–A59)

- (ii) Changes from the prior period in the nature or extent of operations, including whether there have been any mergers, acquisitions, or sales of emissions sources, or outsourcing of functions with significant emissions; and
- (iii) The frequency and nature of interruptions to operations. (Ref: Para. A60)
- (c) The entity's selection and application of quantification methods and reporting policies, including the reasons for changes thereto and the potential for double-counting of emissions in the GHG statement.
- (d) The requirements of the applicable criteria relevant to estimates, including related disclosures.
- (e) The entity's climate change objective and strategy, if any, and associated economic, regulatory, physical and reputational risks. (Ref: Para. A61)
- (f) The oversight of, and responsibility for, emissions information within the entity.
- (g) Whether the entity has an internal audit function and, if so, its activities and main findings with respect to emissions.

*Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement*

24. The procedures to obtain an understanding of the entity and its environment and to identify and assess risks of material misstatement shall include the following: (Ref: Para. A52–A53, A62)
- (a) Inquiries of those within the entity who, in the practitioner's judgment, have information that is likely to assist in identifying and assessing risks of material misstatement due to fraud or error.
  - (b) Analytical procedures. (Ref: Para. A63–A65)
  - (c) Observation and inspection. (Ref: Para. A66–A68)

*Obtaining an Understanding of the Entity's Internal Control*

- 25L. For internal control relevant to emissions quantification and reporting, as the basis for identifying and assessing the risks of material misstatement, the practitioner shall obtain an understanding, through inquiries, about: (Ref: Para. A52–A53, A69–A70)
- (a) The control environment;
  - (b) The information system, including the related business processes, and communication of emissions reporting roles and responsibilities and significant matters relating to emissions reporting; and
  - (c) The results of the entity's risk assessment process.
- 33L. The practitioner shall identify and assess risks of material misstatement:
- (a) At the GHG statement level; and (Ref: Para. A79–A80)
  - (b) For material types of emissions and disclosures, (Ref: Para. A81)
- as the basis for designing and performing procedures whose nature, timing and extent:
- (c) Are responsive to assessed risks of material misstatement; and
  - (d) Allow the practitioner to obtain limited assurance about whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria.

### Causes of Risks of Material Misstatement

34. When performing the procedures required by paragraphs 33L or 33R, the practitioner shall consider at least the following factors: (Ref: Para. A84–A89)
- (a) The likelihood of intentional misstatement in the GHG statement; (Ref: Para. A84–A86)
  - (b) The likelihood of non-compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the content of the GHG statement; (Ref: Para. A87)
  - (c) The likelihood of omission of a potentially significant emission; (Ref: Para. A88(a))
  - (d) Significant economic or regulatory changes; (Ref: Para. A88(b))
  - (e) The nature of operations; (Ref: Para. A88(c))
  - (f) The nature of quantification methods; (Ref: Para. A88(d))
  - (g) The degree of complexity in determining the organizational boundary and whether related parties are involved; (Ref: Para. A27–A28)
  - (h) Whether there are significant emissions that are outside the normal course of business for the entity, or that otherwise appear to be unusual; (Ref: Para. A88(e))
  - (i) The degree of subjectivity in the quantification of emissions; (Ref: Para. A88(e))
  - (j) Whether Scope 3 emissions are included in the GHG statement; and (Ref: Para. A88(f))
  - (k) How the entity makes significant estimates and the data on which they are based. (Ref: Para. A88(g))

### ISRE 2400

#### *The Practitioner's Understanding*

45. The practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas. (Ref: Para. A75–A77)
46. The practitioner's understanding shall include the following: (Ref: Para. A78, A87, A89)
- (a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework;
  - (b) The nature of the entity, including:
    - (i) Its operations;
    - (ii) Its ownership and governance structure;
    - (iii) The types of investments that the entity is making and plans to make;
    - (iv) The way that the entity is structured and how it is financed; and
    - (v) The entity's objectives and strategies;
  - (c) The entity's accounting systems and accounting records; and
  - (d) The entity's selection and application of accounting policies.

(There is no specific requirement addressing internal control)

**Developing and Performing Procedures, Including the Deep Dive from Other IAASB  
Pronouncements**

**Current ISAE 3000**

24. **The practitioner should reduce assurance engagement risk to an acceptably low level in the circumstances of the engagement.** In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the practitioner's conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures. However, in a limited assurance engagement, the combination of the nature, timing, and extent of evidence-gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression. To be meaningful, the level of assurance obtained is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.
25. Paragraph 49 of the Framework indicates that, in general, assurance engagement risk comprises inherent risk, control risk and detection risk. The degree to which the practitioner considers each of these components is affected by the engagement circumstances, in particular the nature of the subject matter and whether a reasonable assurance or a limited assurance engagement is being performed.

Obtaining Evidence

33. **The practitioner should obtain sufficient appropriate evidence on which to base the conclusion.** Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability. The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.
34. An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. However, the practitioner considers the reliability of the information to be used as evidence, for example photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.
35. Sufficient appropriate evidence in a reasonable assurance engagement is obtained as part of an iterative, systematic engagement process involving:
- (a) Obtaining an understanding of the subject matter and other engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control;
  - (b) Based on that understanding, assessing the risks that the subject matter information may be materially misstated;

- (c) Responding to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures;
  - (d) Performing further procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such further procedures involve substantive procedures, including obtaining corroborating information from sources independent of the entity, and depending on the nature of the subject matter, tests of the operating effectiveness of controls; and
  - (e) Evaluating the sufficiency and appropriateness of evidence.
36. “Reasonable assurance” is less than absolute assurance. Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial 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.
37. Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the subject matter and other engagement circumstances. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are, however, deliberately limited relative to a reasonable assurance engagement. For some subject matters, there may be specific ISAEs to provide guidance on procedures for gathering sufficient appropriate evidence for a limited assurance engagement. In the absence of a specific ISAE, the procedures for gathering sufficient appropriate evidence will vary with the circumstances of the engagement, in particular: the subject matter, and the needs of the intended users and the engaging party, including relevant time and cost constraints. For both reasonable assurance and limited assurance engagements, if the practitioner becomes aware of a matter that leads the practitioner to question whether a material modification should be made to the subject matter information, the practitioner pursues the matter by performing other procedures sufficient to enable the practitioner to report.

#### **ED-3000**

42. In a limited assurance engagement, the practitioner shall:
- (a) *[Included above but copied here for context]* Based on the practitioner’s understanding (see paragraph 37) and consideration of areas where material misstatements are likely to arise, 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. A2)
  - (b) Perform those procedures; and
  - (c) If the practitioner becomes aware of a matter(s) 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. A96–A98)

- (i) Conclude that the matter(s) is not likely to cause the subject matter information to be materially misstated; or
- (ii) Determine that the matter(s) causes the subject matter information to be materially misstated.

## **ISAE 3410**

### *Overall Responses to Assessed Risks of Material Misstatement and Further Procedures*

The practitioner shall design and implement overall responses to address the assessed risks of material misstatement at the GHG statement level. (Ref: Para. A90–A93)

36. The practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, having regard to the level of assurance, reasonable or limited, as appropriate. (Ref: Para. A90)
- 37L. In designing and performing the further procedures in accordance with paragraph 36, the practitioner shall: (Ref: Para. A90, A94)
- (a) Consider the reasons for the assessment given to the risks of material misstatement for material types of emissions and disclosures; and (Ref: Para. A95)
  - (b) Obtain more persuasive evidence the higher the practitioner’s assessment of risk. (Ref: Para. A97)

### *Analytical Procedures Performed in Response to Assessed Risks of Material Misstatement*

- 42L. If designing and performing analytical procedures, the practitioner shall: (Ref: Para. A90(c), A100–A102)
- (a) Determine the suitability of particular analytical procedures, taking account of the assessed risks of material misstatement and tests of details, if any;
  - (b) Evaluate the reliability of data from which the practitioner’s expectation of recorded quantities or ratios is developed, taking account of the source, comparability, and nature and relevance of information available, and controls over preparation; and
  - (c) Develop an expectation with respect to recorded quantities or ratios.
- 43L. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner shall make inquiries of the entity about such differences. The practitioner shall consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances. (Ref: Para. A90(c))

### *Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement*

- 49L. If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the GHG statement may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to: (Ref: Para. A109–A110)
- (a) Conclude that the matter(s) is not likely to cause the GHG statement to be materially misstated; or
  - (b) Determine that the matter(s) causes the GHG statement to be materially misstated. (Ref: Para. A111)

## ISRE 2400

### *Designing and Performing Procedures*

In obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, the practitioner shall design and perform inquiry and analytical procedures: (Ref: Para. A79–A83, A87, A89)

- (a) To address all material items in the financial statements, including disclosures; and
  - (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.
48. The practitioner's inquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A84–A87)
- (a) How management makes the significant accounting estimates required under the applicable financial reporting framework;
  - (b) The identification of related parties and related party transactions, including the purpose of those transactions;
  - (c) Whether there are significant, unusual or complex transactions, events or matters that have affected or may affect the entity's financial statements, including:
    - (i) Significant changes in the entity's business activities or operations;
    - (ii) Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants;
    - (iii) Significant journal entries or other adjustments to the financial statements;
    - (iv) Significant transactions occurring or recognized near the end of the reporting period;
    - (v) The status of any uncorrected misstatements identified during previous engagements; and
    - (vi) Effects or possible implications for the entity of transactions or relationships with related parties;
  - (d) The existence of any actual, suspected or alleged:
    - (i) Fraud or illegal acts affecting the entity; and
    - (ii) Non-compliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations;
  - (e) Whether management has identified and addressed events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in, the financial statements;
  - (f) The basis for management's assessment of the entity's ability to continue as a going concern; (Ref: Para. A88)
  - (g) Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern;
  - (h) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures; and
  - (i) Material non-monetary transactions or transactions for no consideration in the financial reporting period under consideration.

49. In designing analytical procedures, the practitioner shall consider whether the data from the entity's accounting system and accounting records are adequate for the purpose of performing the analytical procedures. (Ref: Para. A89–A91)

*Additional Procedures When the Practitioner Becomes Aware that the Financial Statements May Be Materially Misstated*

57. If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the financial statements may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to: (Ref: Para. A95–A99)
- (a) Conclude that the matter(s) is not likely to cause the financial statements as a whole to be materially misstated; or
  - (b) Determine that the matter(s) causes the financial statements as a whole to be materially misstated.