

## ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION— PROPOSED INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS 3000 (REVISED)

**[Clean]**

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Proposed International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, should be read in conjunction with the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*.

## 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. A21–A22)
- 1A. This ISAE addresses both reasonable and limited assurance engagements. It also addresses both attestation engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria, and direct engagements, in which the practitioner measures or evaluates the underlying subject matter against the criteria and presents the resulting subject matter information as part of, or accompanying, the assurance report.
2. This ISAE is premised on the basis that:
  - (a) 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) 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)
  - (b) The practitioner who is performing the engagement is a member of a firm that is subject to ISQC 1,<sup>1</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. (Ref: Para. A58–A59)
3. Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high quality assurance engagements. Professional accountants in public practice will be familiar with such requirements. 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.

## Scope

4. This ISAE covers assurance engagements, as described in the *International Framework for Assurance Engagements* (the Assurance Framework). Where a subject-matter specific ISAE is relevant to the subject matter of a particular engagement that ISAE applies in addition to this ISAE. (Ref: Para. A21–A22)
- 4A. [New paragraphs 4A-4C drawn from Framework paragraphs 19-21] Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that are not assurance engagements, as defined by paragraph 8(a) (and therefore are not covered by the ISAEs) include:
  - Engagements covered by International Standards for Related Services (ISRS), such as agreed-upon procedure and compilation engagements.<sup>2</sup>

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<sup>1</sup> 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*

<sup>2</sup> ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, and ISRS 4410, *Engagements to Compile Financial Information*

- The preparation of tax returns where no conclusion conveying assurance is expressed.
  - Consulting (or advisory) engagements,<sup>3</sup> such as management and tax consulting.
- 4B. An assurance engagement performed under the ISAEs may be part of a larger engagement. In such circumstances, the ISAEs are relevant only to the assurance portion of the engagement.
- 4C. The following engagements, which may be consistent with the description in paragraph 8(a), are not considered assurance engagements in terms of the ISAEs:
- (a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and
  - (b) Engagements that include professional opinions, views or wording from which a user may derive some assurance, if all of the following apply:
    - (i) Those opinions, views or wording are merely incidental to the overall engagement;
    - (ii) Any written report issued is expressly restricted for use by only the intended users specified in the report;
    - (iii) Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and
    - (iv) The engagement is not represented as an assurance engagement in the professional accountant's report.

#### **Effective Date**

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

#### **Objectives**

6. In conducting an assurance engagement, the objectives of the practitioner are:
- (a) To obtain either reasonable assurance or limited assurance, as appropriate, and express a conclusion through a written report designed to enhance the degree of confidence of the intended users about the reported outcome of the measurement or evaluation of the underlying subject matter against suitable criteria.
  - (b) [deleted]
  - (c) To communicate further as required by relevant ISAEs.
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, this ISAE requires that the practitioner disclaim a conclusion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.

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<sup>3</sup> [new]Consulting engagements employ a professional accountant's technical skills, education, observations, experiences, and knowledge of the consulting process. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or "long form") style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the professional accountant and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

## Definitions

8. For purposes of this ISAE and other ISAEs, unless indicated to the contrary, the following terms have the meanings attributed below. (Ref: Para. A27)
- (a) Assurance engagement—An engagement in which a practitioner aims to obtain 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 the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter.
- 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 (acceptable risk) as the basis for expressing a conclusion in accordance with this ISAE. The practitioner's conclusion is expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a material matter(s) has(have) come to the practitioner's attention to cause the practitioner to believe that a modified conclusion is warranted. The nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain assurance that is, in the practitioner's professional judgment, meaningful. (Ref: Para. A1A, A2)
- (ii) Either an attestation engagement or a direct engagement: (Ref: Para. A3–A6)
- a. Attestation engagement—An assurance engagement in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the practitioner in the assurance report. In an attestation engagement, the practitioner's conclusion addresses whether the subject matter information (that is, the reported outcome of the measurement or evaluation of the underlying subject matter) is free from material misstatement (Ref: Para. A3)
- 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. In a direct engagement, the practitioner's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria. (Ref: Para. A4–A5)

- (b) Assurance skills and techniques—Those planning, evidence gathering, evidence evaluation, communication 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. A8)
- (c) Criteria—The benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement. (Ref: Para. A9–A10)
- (d) Engagement circumstances—The broad context defining the particular engagement, which includes: the terms of the engagement; whether it is a reasonable assurance engagement or a limited assurance engagement, and a direct engagement or an attestation 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 responsible party, the measurer or evaluator, and the engaging party and their environment; and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.
- (e) 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. “Engagement partner” should be read as referring to its public sector equivalents where relevant.
- (f) Engagement risk—The risk that the practitioner expresses an inappropriate conclusion when a modified conclusion is warranted in the engagement circumstances. (Ref: Para. A11–A14)
- (g) Engaging party—The party(ies) that engages the practitioner to perform the assurance engagement. (Ref: Para. A15)
- (h) 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.
- (i) Evidence—Information used by the practitioner in arriving at the practitioner’s conclusion. 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.
  - (ii) Appropriateness of evidence is the measure of the quality of evidence. (Ref: Para. A132A–A132G)
- (j) Firm—A sole practitioner, partnership or corporation or other entity of individual practitioners. “Firm” should be read as referring to its public sector equivalents where relevant.
- (k) 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.

- (l) Intended users—The individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed. (Ref: Para. A16–A18, A34))
- (m) Measurer or evaluator—The party(ies) who measures or evaluates the underlying subject matter against the applicable criteria. The measurer or evaluator possesses expertise in the underlying subject matter. (Ref: Para. A36)
- (n) Misstatement—A difference between the subject matter information and the appropriate measurement or evaluation (including, where relevant, presentation and disclosure) of the underlying subject matter against the applicable criteria. This definition applies to all assurance engagements under the ISAEs, including those where the practitioner’s conclusion is, or is part of, the subject matter information. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. (Ref: Para. A7)
- (o) 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 the subject matter information.
- (p) 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 the subject matter information and the assurance report thereon.
- (q) Practitioner—The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). 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. (Ref: Para. A34)
- (r) Practitioner’s expert—An individual or organization possessing expertise in a field other than 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.
- (s) 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.
- (t) Professional skepticism—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.
- (u) Responsible party—The party(ies) responsible for the underlying subject matter. (Ref: Para. A34)
- (v) Risk of material misstatement—The risk that the subject matter information is materially misstated.(Ref: Para. A7-A7A)
- (w) Subject matter information—The outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria, i.e., the information that results from applying the criteria to the underlying subject matter. (Ref: Para. A19)

- (x) Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria.
9. For the purposes of this ISAE and other ISAEs, references to “appropriate party(ies)” should be read hereafter as “the responsible party, the measurer or evaluator, or the engaging party, as appropriate.”(Ref: Para. A20, A34)

## Requirements

### Conduct of an Assurance Engagement in Accordance with ISAEs

#### *Complying with Standards that are Relevant to the Engagement*

- 10. The practitioner shall comply with this ISAE and any subject matter-specific ISAEs relevant to the engagement.
- 11. The practitioner shall not represent compliance with this or any other ISAE unless the practitioner has complied with the requirements of this ISAE and any other ISAE relevant to the engagement. (Ref: Para. A21–A22)

#### *Text of an ISAE*

- 12. 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. A23–A27)

#### *Complying with Relevant Requirements*

- 13. Subject to the following paragraph, the practitioner shall comply with each requirement of this ISAE and of 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.
- 14. 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*

- 15. If an objective 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 law or regulation). Failure to achieve an objective in a relevant ISAE represents a significant matter requiring documentation in accordance with paragraph 69 of this ISAE.

### Ethical Requirements

- 16. The practitioner shall comply with Parts A and B of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref: Para. A28-A32, A57)

## Acceptance and Continuance

17. 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 shall determine that conclusions reached in this regard are appropriate.
18. The practitioner shall accept or continue an assurance engagement only when: (Ref: Para. A33)
  - (a) The practitioner considers that relevant ethical requirements, including independence, will be satisfied; (Ref: Para. A28-A32)
  - (b) The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph 28); and
  - (c) 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 also paragraphs 20–21); 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.
19. 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 (see also paragraph 22).

## *Preconditions for the Assurance Engagement*

20. In order to establish whether the preconditions for an assurance engagement are present, the practitioner shall determine whether: (Ref: Para. A33-A33B)
  - (a) The roles and responsibilities of the appropriate parties are suitable in the circumstances; and (Ref: Para. A34–A36)
  - (b) The engagement exhibits all of the following characteristics:
    - (i) The underlying subject matter is appropriate; (Ref: Para. A37–41)
    - (ii) The criteria that the practitioner expects to be applied or developed in the preparation of the subject matter information are suitable and will be available to the intended users; (Ref: Para. A42–A49)
    - (iii) The practitioner will be able to obtain the evidence needed to support the practitioner's conclusion; (Ref: Para. A50–A52A)
    - (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 including, in the case of a limited assurance engagement, that meaningful assurance can be obtained. (Ref: Para. A53)
21. 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 law or regulation 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).

22. 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 appropriate party(ies), 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*

23. The practitioner shall agree the terms of the engagement with the engaging party. The agreed terms of the engagement shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation. (Ref: Para. A54–A55)
24. 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*

25. 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. A56)

#### *Assurance Report Prescribed by Law or Regulation*

26. In some cases, law or regulation of the relevant jurisdiction prescribe the layout or wording of the assurance report. In these circumstances, the practitioner shall evaluate:
- (a) Whether intended 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 law or regulation to do so. An engagement conducted in accordance with such law or regulation 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). (See also paragraph 62.)

### **Quality Control**

#### *Characteristics of the Engagement Partner*

27. The engagement partner shall:
- (a) Be a member of a firm that applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1; (Ref: Para. A57–A59)

- (b) Have specialist knowledge and competence in assurance skills and techniques developed through extensive training and practical application; and (Ref: Para. A57 and A60)
- (c) Have sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion. (Ref: Para. A61–A62)

#### *Assignment of the Team*

28. The engagement partner shall: (Ref: Para. A63)
- (a) Be satisfied that the engagement team and any practitioner's external experts collectively have the appropriate competence and capabilities to: (Ref: Para. A64–A65)
    - (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. A64–A65)
    - (ii) Another practitioner where the work of that practitioner is to be used, (Ref: Para. A66)
- to an extent that is sufficient to accept responsibility for the conclusion on the subject matter information.

#### *Responsibilities of the Engagement Partner*

29. 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. A67)
  - (d) Maintaining appropriate engagement documentation to provide evidence of achievement of the practitioner's objectives, and that the engagement was performed in accordance with relevant ISAEs and relevant legal and regulatory requirements; and
  - (e) The engagement team undertaking appropriate consultation on difficult or contentious matters.
30. 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. A68)

31. 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*

32. For those engagements, if any, for which a quality control review is required by law or regulation 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. A69)
    - (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, Professional Judgment, and Assurance Skills and Techniques**

33. The practitioner shall plan and perform an engagement with professional skepticism. (Ref: Para. A70–A74)
34. The practitioner shall exercise professional judgment in planning and performing an assurance engagement, including determining the nature, timing and extent of procedures. (Ref: Para. A75–A79)
- 34A. The practitioner shall apply assurance skills and techniques as part of an iterative, systematic engagement process.

#### **Planning and Performing the Engagement**

##### *Planning*

35. 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 practitioner. (Ref: Para. A80–A83)

##### *Materiality*

36. The practitioner shall consider materiality when: (Ref: Para. A84–A91)
  - (a) Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and
  - (b) Forming a conclusion.

*Understanding the Underlying Subject Matter and Other Engagement Circumstances*

<b>Attestation Engagements only (Paragraphs numbers ending in “(T)”)</b>	<b>Direct Engagements only (Paragraphs numbers ending in “(D)”)</b>
<p>37(T). When performing an attestation engagement, the practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:</p> <ul style="list-style-type: none"> <li>(a) For a reasonable assurance engagement, <ul style="list-style-type: none"> <li>(i) Enable the practitioner to identify and assess the risk of material misstatement in the subject matter information, and</li> <li>(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</li> </ul> </li> <li>(b) For a limited assurance engagement, <ul style="list-style-type: none"> <li>(i) Enable the practitioner to identify areas where material misstatements of the subject matter information have a greater than acceptable risk of occurring, and</li> <li>(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)</li> </ul> </li> </ul> <p>37A(T). When obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 37, the practitioner shall:</p> <ul style="list-style-type: none"> <li>(a) For a reasonable assurance engagement, obtain an</li> </ul>	<p>37(D). When performing a direct engagement, the practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:</p> <ul style="list-style-type: none"> <li>(a) For a reasonable assurance engagement, <ul style="list-style-type: none"> <li>(i) Enable the practitioner to identify and assess the risk of expressing an inappropriate conclusion when a modified conclusion is warranted,</li> <li>(ii) Enable the practitioner to develop or apply criteria suitable to evaluate the subject matter and to prepare the subject matter information, and</li> <li>(iii) Thereby, provide a basis to respond to the assessed risk and to evaluate the subject matter against criteria to obtain reasonable assurance to support the practitioner’s conclusion; and</li> </ul> </li> <li>(b) For a limited assurance engagement, <ul style="list-style-type: none"> <li>(i) Enable the practitioner to consider the risk of expressing an inappropriate conclusion when a modified conclusion is warranted,</li> <li>(ii) Enable the practitioner to develop or apply criteria suitable to evaluate the subject matter and to prepare the subject matter information, and</li> <li>(iii) Thereby, provide a basis for designing and performing procedures to evaluate the</li> </ul> </li> </ul>

<b>Attestation Engagements only (Paragraphs numbers ending in “(T)”) </b>	<b>Direct Engagements only (Paragraphs numbers ending in “(D)”) </b>
<p>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.</p> <p>(b) For a limited assurance engagement, consider the process used to prepare the subject matter information. (Ref: Para. A93B)</p>	<p>subject matter and to obtain limited assurance to support the practitioner’s conclusion. (Ref: Para. A92–A93, A93C)</p> <p>[Note - Equivalent for direct engagements is in the application material as not always applicable]</p>

**Obtaining Evidence**

38. [Paragraph 38 relocated to paragraph 42B]

*Risk Consideration and Responses to Risk*

39. [Paragraph 39 relocated to paragraph 34A]

40. [Paragraph 40 combined with paragraph 34]

<b>Attestation Engagements only</b>	<b>Direct Engagements only</b>
<p>41(T). In a reasonable assurance engagement, the practitioner shall:</p> <p>(a) Based on the practitioner’s understanding (see paragraph 37), identify and assess the risk of material misstatement in the subject matter information;</p> <p>(b) Respond to assessed risks, by:</p> <p>(i) [Deleted]</p> <p>(ii) Designing procedures that are responsive to the assessed risks, and performing those procedures. In addition to any other procedures on the subject matter information that are appropriate in the engagement circumstances, the practitioner’s procedures shall include obtaining sufficient appropriate evidence as to the</p>	<p>41(D). In a reasonable assurance engagement, the practitioner shall:</p> <p>(a) Based on the practitioner’s understanding (see paragraph 37), identify and assess engagement risk;</p> <p>(b) Respond to assessed risks, by:</p> <p>(i) [Deleted]</p> <p>(ii) Designing procedures that are responsive to the assessed risk, and performing those procedures; and (Ref: Para. A95A)</p> <p>(c) Based on the procedures performed and the evidence obtained, evaluate before the completion of the engagement</p>

<p>operating effectiveness of relevant controls over the subject matter information when:</p> <p>(a) the practitioner’s assessment of the risk of material misstatement includes an expectation that controls are operating effectively, or</p> <p>(b) procedures other than testing of controls cannot alone provide sufficient appropriate evidence; and</p> <p>(c) Based on the procedures performed and the evidence obtained, evaluate before the completion of the engagement whether the practitioner’s assessment of the risk of material misstatement remains appropriate. (Ref: Para. A96-A97)</p>	<p>whether the practitioner’s assessment of the engagement risk remains appropriate. (Ref: Para. A96)</p>
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<b>Attestation Engagements only</b>	<b>Direct Engagements only</b>
<p>42(T). In a limited assurance engagement, based on the practitioner’s understanding (see paragraph 37(b)), the practitioner shall: (Ref: Para. A95A)</p> <p>(a) identify areas in the subject matter information where material misstatements have a greater than acceptable risk of occurring; and</p> <p>(b) design and perform procedures to address those areas and obtain a level of assurance that is meaningful.</p> <p>42A(T). If, in a limited assurance engagement, after performing the procedures required by paragraph 42 or otherwise as comes to the practitioner’s attention, 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:</p> <p>(a) Conclude that the risk of a material misstatement in the subject matter information arising from the matter(s) is</p>	<p>42(D). In a limited assurance engagement, based on the practitioner’s understanding (see paragraph 37(b)), the practitioner shall: (Ref: Para. A95A)</p> <p>(a) identify areas in the subject matter where, when applying the applicable criteria, there is a greater than acceptable risk of expressing an inappropriate conclusion when a modified conclusion is warranted; and</p> <p>(b) design and perform procedures to address those areas and obtain a level of assurance that is meaningful.</p> <p>42A(D). If, in a limited assurance engagement, after performing the procedures required by paragraph 42 or otherwise as comes to the practitioner’s attention, the practitioner becomes aware of a matter(s) that causes the practitioner to believe that there is a greater than acceptable risk of</p>

<p>acceptable in the engagement circumstances (that is, limited assurance has been obtained); or</p> <p>(b) Determine that the matter(s) causes the subject matter information to be materially misstated.</p>	<p>expressing an inappropriate conclusion when a modified conclusion is warranted, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to:</p> <p>(a) Conclude that the risk of expressing an inappropriate conclusion when a modified conclusion is warranted is acceptable in the engagement circumstances (that is, limited assurance has been obtained); or</p> <p>(b) Determine that a modified conclusion is warranted.</p>
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42B. [Relocated from paragraph 38] 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.

43. In an attestation engagement, the practitioner shall accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial. (Ref: Para. A99-A99A)

44. [Deleted]

*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. A106–A110)

- (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. A111–A114)
- (b) Obtain a sufficient understanding of the field of expertise of the practitioner's expert; (Ref: Para. A115–A116)
- (c) Agree with the practitioner's expert on the nature, scope and objectives of that expert's work; and (Ref: Para. A117–118)
- (d) Evaluate the adequacy of the practitioner's expert's work for the practitioner's purposes. (Ref: Para. A119–A120)

#### Work Performed by Another Practitioner or an Internal Auditor

46. 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. (Ref: Para. A121)

#### *Written Representations*

47. The practitioner shall request from the appropriate party(ies) a written representation that it has provided the practitioner with all information of which the appropriate party(ies) is aware that is relevant to the engagement. (Ref: Para. A51–A52 and A122–A126)
48. 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.
49. 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 law or regulation in sufficient detail.
50. 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); and
  - (b) Consider whether those making the representations can be expected to be well informed on the particular matters.
51. 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

52. 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, or that the written representations are not reliable, the practitioner shall: (Ref: Para. A126)
- (a) Discuss the matter with the appropriate party(ies);
  - (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**

53. The practitioner has no responsibility to perform any procedures regarding the subject matter information after the date of the assurance report. Nevertheless, 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. A127–A128)

### **Other Information**

54. 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. A129)
- (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 appropriate party(ies) and take further action as appropriate.

### **Description of Applicable Criteria**

55. The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria. (Ref: Para. A130–A132)

### **Forming the Assurance Conclusion**

- 55A. [Formerly paragraph 44] The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement circumstances and, if necessary in the circumstances, 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. If the practitioner is unable to obtain necessary further evidence, the practitioner shall consider the implications for the practitioner's conclusion in paragraph 56. (Ref: Para. A132A-A132G)
56. The practitioner shall form 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.. In forming that conclusion, the practitioner shall consider the practitioner's conclusion in paragraph 55A regarding the sufficiency and appropriateness of evidence obtained: (Ref: Para. A1 and A133–A134)
- (a) In an attestation engagement, an evaluation of whether uncorrected misstatements are material, individually or in aggregate.
  - (b) In a direct engagement, the materiality of the cumulative results of the procedures performed. (Ref: Para. A99AA)
57. If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner shall express a qualified conclusion, disclaim a conclusion, or withdraw from the engagement, where withdrawal is possible under applicable law or regulation, as appropriate.(Ref: Para. A135–A137)

### **Preparing the Assurance Report**

58. 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. (Ref: Para. A1, A138–A140)

59. The practitioner's conclusion on the subject matter information shall be clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including any emphasis of matter, other matter findings related to particular aspects of the engagements, recommendations or additional information included in the assurance report. The wording used shall make it clear that an emphasis of matter, other matter, findings, recommendations or additional information is not intended to detract from the practitioner's conclusion. (Ref: Para. A138–A140)

*Assurance Report Content*

60. The assurance report shall include at a minimum the following basic elements:
- (a) A title that clearly indicates the report is an independent assurance report. (Ref: Para. A141)
  - (b) An addressee. (Ref: Para. A142)
  - (c) An identification or description of the subject matter information and, when appropriate, the underlying subject matter. In the case of a direct engagement, this may be reflected in the description of the findings and basis for the practitioner's conclusion in the assurance report. 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. A143)
  - (d) Identification of the criteria. (Ref: Para. A144)
  - (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. A145)
  - (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. A146–A147)
  - (g) A statement to identify the responsible party and the measurer or evaluator if different, and to describe their responsibilities and the practitioner's responsibilities. (Ref: Para. A148)
  - (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. A149)
  - (i) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. If the practitioner is not a professional accountant, the statement shall also identify the professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1.
  - (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 law or regulation, that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements. If the practitioner is not a professional accountant, the statement shall also identify the professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements.

- (k) An informative summary of the work performed as the basis for the practitioner's conclusion, recognizing in the case of a limited assurance engagement, that an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance conveyed by the practitioner's conclusion. (Ref: Para. A150–A153)

Option 1 – Based on ED-3000	Option 2 – Based on ISAE 3410.76(h)(ii)
<p>In a limited assurance engagement, the summary of the work performed shall state that:</p> <ul style="list-style-type: none"> <li>• The practitioner's procedures are limited compared to a reasonable assurance engagement, and are not designed to enable the practitioner to become aware of all significant matters that might be identified in a reasonable assurance engagement; and</li> <li>• Consequently, the level of assurance obtained by the practitioner in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.</li> </ul>	<p>In a limited assurance engagement, the summary of the work performed shall state that:</p> <ul style="list-style-type: none"> <li>• The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and</li> <li>• Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.</li> </ul>

- (l) The practitioner's conclusion: (Ref: Para. A1, A154–A155)
- (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. A156)
  - (ii) In a reasonable assurance engagement, the conclusion shall be expressed in the form of an opinion. (Ref: Para. A156A)
  - (iii) In a limited assurance engagement, the conclusion shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a ~~no~~-material matter(s) has(have) come to the practitioner's attention to cause the practitioner to believe that a modified conclusion is warranted. (Ref: Para. A157–A158)
  - (iiiA) The conclusion in (ii) or (iii) should be phrased using appropriate words for the subject matter and criteria. (Ref: Para. A158A)
  - (iv) When the practitioner expresses a modified conclusion, the assurance report shall contain:
    - a. A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification; and
    - b. A paragraph under an appropriate heading that contains the practitioner's modified conclusion. (Ref: Para. A158B)
- (m) The practitioner's signature. (Ref: Para. A159)

- (n) The date of the assurance report. 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. A160)
  - (i) In the case of an 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 a direct engagement, receipt of the written representation required by paragraph 49.
- (o) The location in the jurisdiction where the practitioner practices.

*Reference to the Practitioner's Expert in the Assurance Report*

61. 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. A161–A163)

*Assurance Report Prescribed by Law or Regulation*

62. If the practitioner is required by law or regulation 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 60.

**Unmodified and Modified Conclusions**

63. The practitioner shall express an unmodified conclusion when the practitioner concludes:
- (a) In the case of a reasonable assurance engagement, that the subject matter information reflects, in all material respects, the measurement or evaluation of the subject matter against the applicable criteria; or
  - (b) In the case of a limited assurance engagement, that, in the measurement or evaluation of the subject matter against the applicable criteria and based on the procedures performed and evidence obtained, no material matter(s) has(have) come to the attention of the practitioner that causes the practitioner to believe that a modified conclusion is warranted.
- 63A. If the practitioner considers it necessary to:
- (a) Draw intended users' attention to a matter presented or disclosed in the subject matter information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of the subject matter information (an Emphasis of Matter paragraph); or
  - (b) Communicate a matter other than those that are presented or disclosed in the subject matter information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities or the assurance report (an Other Matter paragraph),

and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner's conclusion is not modified in respect of the matter. In the case of an Emphasis of Matter paragraph, such a paragraph shall refer only to information presented or disclosed in the subject matter information.

64. The practitioner shall express a modified conclusion when the following circumstances exist and, in the practitioner's professional judgment, the effect of the matter is or may be material:
- (a) When a scope limitation exists (see paragraph 57). In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion.
  - (b) When:
    - (i) The practitioner's conclusion is worded in terms of the subject matter information, and that subject matter information is materially misstated; or
    - (ii) The practitioner's conclusion is worded in terms of the underlying subject matter and the criteria, and the subject matter does not conform, in all material respects, with the applicable criteria. (Ref: Para. A164–A165)

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

65. The practitioner shall express a qualified conclusion when the effects, or possible effects, of a matter are not so material and 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. (Ref: Para. A165)
66. If the practitioner expresses a modified conclusion because of a scope limitation but is also aware of a matter(s) that gives rise to the need for a modified conclusion (other than the scope limitation), the practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that gives rise to the modified conclusion.
67. In an attestation engagement, when the statement made by the measurer or evaluator has identified and properly described that the subject matter information is materially misstated, the practitioner shall either:
- (a) Express a qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria; or
  - (b) 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 emphasize the matter by specifically referring to it in the assurance report.

#### **Other Communication Responsibilities**

68. The practitioner shall consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the practitioner that should be communicated with the responsible party, the measurer or evaluator, the engaging party, those charged with governance or others. (Ref: Para. A166)

#### **Documentation**

69. 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. A167–A175)
- (a) The nature, timing and extent of the procedures performed to comply with relevant 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.
70. 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.

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## Application and Other Explanatory Material

### Objectives

*Engagements with Subject Matter Information Comprising a Number of Aspects* (Ref: Para. 6, 56, 60(I))

- A1. 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. References in this ISAE to the conclusion in the assurance report include each conclusion when separate conclusions are provided.

### Definitions

*Procedures in Reasonable and Limited Assurance Engagements*

- A1A. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The primary differences between the procedures for a reasonable assurance engagement and a limited assurance engagement are as follows:
- (a) *The emphasis placed on the nature of various procedures:* The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on inquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on testing of controls and obtaining evidence from external sources than would be the case for a reasonable assurance engagement.
- (b) *The extent of procedures:* The extent of further procedures performed in a limited assurance engagement is ordinarily less than in a reasonable assurance engagement. This may involve:
- Reducing the number of items to be examined, for example, by reducing sample sizes; or
  - Performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and other procedures would be performed).
- (c) *The nature of analytical procedures:* In a reasonable assurance engagement, analytical procedures performed in response to the engagement risk involve developing expectations that are sufficiently precise to identify material misstatements. By contrast,

in a limited assurance engagement, analytical procedures are often designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

Further, when significant fluctuations, relationships or differences are identified, appropriate evidence in a limited assurance engagement may often be obtained by making inquiries and considering responses received in the light of known engagement circumstances.

In addition, when undertaking analytical procedures in a limited assurance engagement the practitioner may, for example use data that is more highly aggregated, such as quarterly data rather than monthly data, or use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

*A Level of Assurance that is Meaningful* (Ref: Para. 8(a)(i)b, 42(a))

A2. The level of assurance the practitioner plans to obtain is not ordinarily susceptible to quantification, and whether it is meaningful is a matter of professional judgment for the practitioner to determine in the circumstances of the engagement. In a limited assurance engagement, the practitioner performs procedures that are limited compared with that necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain meaningful assurance (see also paragraphs A16–A18 and A84). To be meaningful, the assurance obtained is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential. Factors that are relevant to consider in determining what meaningful assurance is in a specific engagement may include, for example:

- The characteristics of the intended users and their information needs. Generally, the greater the consequence to intended users of receiving an inappropriate conclusion when a modified conclusion would be warranted, the greater the assurance that would be needed in order to be meaningful to them.
- 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 on which the engaging party would like the practitioner to focus procedures. However, the practitioner may consider that other procedures are required to obtain sufficient appropriate evidence to obtain meaningful assurance.
- Generally accepted practice, if it exists, with respect to assurance engagements for the particular subject matter information, or similar or related subject matter information.
- The expectation by intended users that the practitioner will form the limited assurance conclusion on the subject matter information within a limited period of time and at a limited cost for a limited assurance engagement.

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

- A3. 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.
- A4. 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. In some cases, the practitioner's conclusion 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, that is, the subject matter information, may be reflected in the description of the findings and basis for the practitioner's conclusion in the report (see also paragraph A140); 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.
- A5. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also applies assurance skills and techniques to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information is materially misstated. The practitioner may obtain that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation.
- A6. In a direct engagement the value lies in the combination of:
- (a) The independence of the practitioner from the underlying 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 underlying 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 greenhouse gas statement, the practitioner would not, for example, test the calibration of monitoring devices. In a direct engagement, however, the practitioner would, where relevant, either calibrate monitoring devices as part of the measurement process, or test the calibration of monitoring devices performed by others to the same extent as would be the case if the engagement were an attestation engagement.
- A6A. Where the practitioner is the first measurer of the underlying subject matter against the applicable 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 practitioner's measurement or evaluation by, for example, the responsible party attaching a

statement to the subject matter information accepting responsibility for it although another practitioner could perform the assurance engagement.

A6B. Examples of attestation engagements and direct engagements on the same subject matter include:

- (a) Sustainability - An attestation engagement on sustainability may involve the practitioner obtaining assurance on a report prepared by management or management's expert (the measurer or evaluator) on the sustainability performance of the entity. A direct engagement on sustainability may involve the practitioner determining the sustainability criteria to apply and then obtaining assurance on the entity's sustainability performance directly (as the measurer or evaluator). The sustainability report would then be presented in the practitioner's report.
- (b) Safeguarding of assets – an attestation engagement on the safeguarding of assets may involve the practitioner obtaining assurance on a statement by another party of compliance (the measurer or evaluator) with the regulations governing the safeguarding of assets. A direct engagement on the safeguarding of assets may involve the practitioner determining which regulations to use for suitable criteria and then obtaining assurance on whether the regulations governing the safeguarding of assets had been complied with (as the measurer or evaluator). The statement on compliance with regulations would then be presented in the practitioner's report.
- (c) Value for money - an attestation engagement on value for money may involve the practitioner obtaining assurance on a measurement or evaluation of value for money by departmental officials (the measurer or evaluator) on a particular government program. A direct engagement on value for money may involve the practitioner selecting or developing criteria to measure value for money and then obtaining assurance on whether a government program is obtaining sufficient public benefit for the money expended (as the measurer or evaluator). The statement on whether value for money had been achieved for this program is then presented in the practitioner's report.

*The Risk of Material Misstatement* (Ref: Para. 8(v))

A7. In the ISAEs, the potential for the measurement or evaluation of an aspect of the subject matter information to be different from a proper measurement or evaluation of that aspect using the applicable criteria is known as the risk of material misstatement for both attestation engagements and direct engagements.

A7A. In an attestation engagement, the risk of material misstatement refers to the risk prior to the engagement. The risk of material misstatement after the engagement has been completed is known as engagement risk (see paragraph 8(f)).

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

A8. 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 as appropriate to the engagement (which may include inquiry, inspection, re-calculation, re-performance, observation, confirmation, and analytical procedures); systematic documentation practices; and assurance report-writing skills.

*Criteria* (Ref: Para. 8(c), Appendix)

- A9. 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, a measurer or evaluator might select, as criteria for the underlying subject matter of customer satisfaction, the number of customer complaints resolved to the acknowledged satisfaction of the customer; 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, that is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Suitable criteria include, when relevant, criteria for presentation and disclosure.
- A10. 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. For example, this may be the case when a public sector auditor is required by the legislature to conduct an assurance engagement, but when the criteria to use is not specified. When the practitioner selects or develops the applicable criteria, 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 professional judgment. It may be appropriate in such cases to discuss the choice of criteria with the appropriate party(ies) and disclose in the assurance report the basis for using a particular set of criteria the practitioner has selected or developed. (See also paragraph A68.) When the practitioner selects or develops the applicable criteria, reassessment of the criteria throughout the engagement will assist in ensuring that they remain suitable for the engagement (see paragraph 37).

*Engagement Risk* (Ref: Para. 8(f))

- A11. Engagement risk 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 information reported on.
- A12. 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 applied by the appropriate party(ies) (inherent risk); and
    - (ii) 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 appropriate party(ies)'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 underlying subject matter against the applicable criteria.

A13. 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 limited assurance attestation engagements the practitioner may often decide to obtain evidence by means other than testing 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.

A14. Reducing 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 professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
- In some cases, the characteristics of the underlying subject matter when evaluated or measured against the applicable criteria.

*The Engaging Party* (Ref: Para. 8(g), Appendix)

A15. The engaging party may be, under different circumstances, management or those charged with governance of the responsible party, a legislature, the intended users, the measurer or evaluator (other than in a direct engagement, where the practitioner is the measurer or evaluator), or a different third party.

*Intended Users* (Ref: Para. 8(l), Appendix)

A16. 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 law or regulation.

- A17. 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 procedures agreed with the engaging party and any appropriate third parties, 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 A96–A98).
- A18. In some cases, intended users (for example, bankers and regulators) impose a requirement on, or request the appropriate party(ies) 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 60(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 A146–A147).

*Subject Matter Information* (Ref: Para. 8(w), Appendix)

- A19. 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 ...". In a direct engagement, such a statement may be the practitioner's conclusion, or may be part of the practitioner's conclusion.

*The Appropriate Party(ies)* (Ref: Para. 9, Appendix)

- A20. The roles played by the responsible party, the measurer or evaluator, and the engaging party can vary (see paragraph A34). 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 appropriate party(ies) 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.

**Conduct of an Assurance Engagement in Accordance with ISAEs**

*Complying with Standards that are Relevant to the Engagement* (Ref: Para. 1, 4, 11)

- A21. 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.

- A22. 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 engagement process generally for practitioners undertaking an assurance engagement in accordance with this ISAE.

*Text of an ISAE (Ref: Para. 12)*

- A23. ISAEs contain the objectives of the practitioner in following the ISAEs, and requirements designed to enable the practitioner 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.

- A24. 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.

The proper application of the requirements of an ISAE by the practitioner is expected to provide a sufficient basis for the practitioner's achievement of the objectives. However, because the circumstances of assurance engagements vary widely and all such circumstances cannot be anticipated in the ISAEs, the practitioner is responsible for determining the procedures necessary to fulfill the requirements of relevant ISAEs and to achieve the objectives stated therein. In the circumstances of an engagement, there may be particular matters that require the practitioner to perform procedures in addition to those required by relevant ISAEs to meet the objectives specified in those ISAEs.

- A25. The requirements of ISAEs are expressed using "shall."

- A26. 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.

- A27. 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. (Ref: Para. 8)

**Ethical Requirements** (Ref: Para. 2(a), 16, 18(a))

A28. 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.

A29. Part A of the IESBA Code also provides a conceptual framework for professional accountants to 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;
  - (iii) 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.

A30. 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; and
- Independence.

A31. 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. Matters addressed in IESBA Code with respect to independence include:

- Financial interests;
- Loans and guarantees;
- Business relationships;
- Family and personal relationships;
- Employment with assurance clients;
- Recent service with an assurance client;
- Serving as a director or officer of an assurance client;
- Long association of senior personnel with assurance clients;
- Provision of non-assurance services to assurance clients;
- Fees (relative size, overdue, and contingent fees);
- Gifts and hospitality; and
- Actual or threatened litigation.

A32. Professional requirements, or requirements imposed by law or regulation, 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 in paragraphs A28–A31 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.

### **Acceptance and Continuance**

*Preconditions for the Engagement* (Ref: Para. 20)

A33. In a public sector environment, some of the preconditions for an assurance engagement may be assumed to be present, for example:

- (a) The roles and responsibilities of public sector audit organizations and the government entities scoped into assurance engagements are assumed to be appropriate because they are generally set out in legislation;
- (b) Public sector audit organizations' right of access to the information necessary to perform the engagement is often set out in legislation;
- (c) The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is generally required by legislation to be contained in a written report; and
- (d) A rational purpose is generally present because the engagement is set out in legislation.

A33A. In a direct engagement, circumstances may require the practitioner to commence the assurance engagement in order to obtain information about the preconditions for the particular assurance engagement. For example, in a direct engagement when the practitioner develops the criteria, the practitioner may not be able to determine if suitable criteria will be available until the assurance engagement has commenced. In such circumstances, the practitioner is permitted to refer to ISAE 3000 in the practitioner's report as long as the practitioner is able to

determine that the preconditions of an assurance engagement were satisfied prior to forming a conclusion.

A33B. If suitable criteria are not available for all of the underlying subject matter but the practitioner can identify one or more aspects of the underlying subject matter for which those criteria are suitable, then an assurance engagement can be performed with respect to that aspect of the underlying subject matter in its own right. In such cases, the practitioner's report makes clear that the report does not relate to the original underlying subject matter in its entirety.

Roles and Responsibilities (Ref: Para. 8(l), 8(q), 8(u), 20(a), Appendix)

A34. 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 the Appendix for a discussion of how each of these roles relate to an assurance engagement. (Ref: Para. 9)

A35. 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 a written acknowledgement of responsibility, it may still be appropriate for the practitioner to accept the engagement if, for example, other sources, such as legislation or a contract, indicate responsibility. In other cases, it may be appropriate to decline the engagement depending on the circumstances, or to disclose the circumstances in the assurance report.

A36. 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 depend 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. (Ref: Para. 8(m))

Appropriateness of the Underlying Subject Matter (Ref: Para. 20(b)(i))

A37. 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.

A38. The appropriateness of an underlying subject matter is not affected by the level of assurance, that is, 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.

- A39. 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.
- A40. Identifying such characteristics and considering their effects assist the practitioner when assessing the appropriateness of the underlying subject matter, and also in determining the content of the assurance report (see paragraph A143).
- A41. 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. 20(b)(ii))

##### Suitability of the criteria

- A42. 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 reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. 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.
- A43. Vague descriptions of expectations or judgments of an individual practitioner's experiences do not constitute suitable criteria.
- A44. 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 professional 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).

A45. Criteria can be developed in a variety of ways, for example, they may be:

- Embodied in law or regulation.
- 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.

A46. In some cases, law or regulation 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 an underlying 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 law or regulation, 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 criteria agreed with specific users for their specific purposes and that, as a result, the subject matter information may not be suitable for another purpose.

A47. 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

A48. 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.

A49. 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 60(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 A146–A147).

Access to Evidence (Ref: Para. 20(b)(iii))

Quantity and quality of available evidence

A50. 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. 47)

A51. Seeking the agreement of the appropriate party(ies) 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 appropriate party(ies) 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 appropriate party(ies) for the purpose of the engagement; and
- (c) Unrestricted access to persons within the appropriate party(ies) from whom the practitioner determines it necessary to obtain evidence.

A52. The nature of relationships between the responsible party, the measurer or evaluator, and the engaging party 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 these relationships may be problematic are included in paragraph A126.

Ability to Obtain Evidence

A52A. In determining whether the practitioner is able to obtain the evidence needed to support the practitioner's conclusion, a relevant consideration is whether the practitioner is able to design procedures to address the risk of material misstatements.

A Rational Purpose (Ref: Para. 20(b)(v))

A53. 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 that the 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 responsible party, the measurer or evaluator, and the engaging party, 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.
- Whether there are any significant limitations on the scope of the practitioner's work.
- Whether the practitioner believes the engaging party intends to associate the practitioner's name with the underlying subject matter or the subject matter information in an inappropriate manner.
- 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 assurance that is meaningful. 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 assurance that is meaningful to the intended users. (See also paragraph A2).

*Agreeing on the Terms of the Engagement* (Ref: Para. 23)

A54. It is in the interests of both the engaging party 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 law or regulation prescribe in sufficient detail the terms of the engagement, the practitioner need not record them in a written agreement, except for the fact that such law or regulation apply and that management acknowledges and understands its responsibilities.

A55. Law or regulation, particularly in the public sector, may mandate the appointment of a practitioner and set out specific powers, such as the power to access an appropriate party(ies)'s records and other information, and responsibilities, such as requiring the practitioner to report directly to a minister, the legislature or the public if an appropriate party(ies) attempts to limit the scope of the engagement.

*Acceptance of a Change in the Terms of the Engagement* (Ref: Para. 25)

A56. 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. 16, 27(a)–(b))

A57. 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. 2(b), 27(a))

A58. ISQC 1 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.

A59. Other professional requirements, or requirements in law or regulation 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.

A59A. The actions of the engagement partner, and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking responsibility for the

overall quality on each engagement, emphasize the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:

- (a) Performing work that complies with professional standards and regulatory and legal requirements.
- (b) Complying with the firm's quality control policies and procedures as applicable.
- (c) Issuing a report for the engagement that is appropriate in the circumstances.
- (d) The engagement team's ability to raise concerns without fear of reprisals.

A59B. An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.

A59C. Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:

- (a) Competence of personnel through their recruitment and formal training.
- (b) Independence through the accumulation and communication of relevant independence information.
- (c) Maintenance of client relationships through acceptance and continuance systems.
- (d) Adherence to regulatory and legal requirements through the monitoring process.

In considering deficiencies identified in the firm's system of quality control that may affect the assurance engagement, the engagement partner may consider measures taken by the firm to rectify those deficiencies.

A59D. A deficiency in the firm's system of quality control does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

*Specialist Knowledge and Experience in Assurance (Ref: Para. 27(b))*

A60. Specialization is necessary to ensure services can be provided by practitioners having sufficient depth of knowledge and expertise.<sup>4</sup> 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.

*Skills, Knowledge and Experience with Respect to the Underlying Subject Matter and its Measurement or Evaluation (Ref: Para. 27(c))*

A61. A practitioner may be requested to perform assurance engagements with respect to a wide range of underlying subject matter and subject matter information. Some may require specialized skills and knowledge beyond those ordinarily possessed by a particular individual.

A62. 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.<sup>5</sup>

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<sup>4</sup> International Education Standard (IES) 8, *Competence Requirements for Audit Professionals*

<sup>5</sup> The IESBA Code, paragraph 210.6

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.

#### *Assignment of the Team*

##### Collective Competence and Capabilities (Ref: Para. 28)

A63. 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.<sup>6</sup>

##### Practitioner's Expert (Ref: Para. 28(a), 28(b)(i))

A64. Some of the assurance work may be performed by a multi-disciplinary team that includes one or more practitioner's expert. For example, a practitioner's expert may be needed to assist the practitioner in obtaining an understanding of the underlying subject matter and other engagement circumstances or in one or more of the matters mentioned in paragraph 41 (in the case of a reasonable assurance engagement) or 42 (in the case of a limited assurance engagement).

A65. 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. 28(b)(ii))

A66. 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. 29(c))

A67. 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.<sup>7</sup>

##### *Objectivity in a Direct Engagement* (Ref: Para. 30)

A68. 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 A10). 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:

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<sup>6</sup> ISQC 1, paragraph 26

<sup>7</sup> ISQC 1, paragraph 33

- 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.

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 law or regulation.

*Engagement Quality Control Review* (Ref: Para. 32(b))

A69. 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. 33)

A70. Professional skepticism 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 relevant ISAEs.
- Conditions that may indicate possible misstatement due to error or fraud.

A71. Maintaining professional skepticism throughout the engagement is necessary if the practitioner is, for example, to reduce the risks of:

- Overlooking unusual circumstances.
- Overgeneralizing when drawing conclusions from observations.
- Using inappropriate assumptions in determining the nature, timing, and extent of the procedures, and evaluating the results thereof.

A72. 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.

A73. 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 42B to consider the reliability of information to be used as evidence.

A74. 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. 34)*

A75. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and relevant 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 relevant 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 particular, in the case of a limited assurance engagement, professional judgment is required in evaluating whether meaningful assurance has been obtained.
- 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.

A76. 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.

A77. 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 including, for attest engagements, the extent to which particular items in the subject matter information are affected by judgment of the responsible party.

A78. 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.

A79. Professional judgment needs to be exercised throughout the engagement. It also needs to be appropriately documented. In this regard, paragraph 69 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. 35)

A80. 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, the practitioner's previous experience with it, and the complexity of the underlying subject matter and criteria. 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 appropriate party(ies) is relevant.
- The engagement process, including, in the case of a direct engagement, the process of designing the practitioner's measurement or evaluation of the underlying subject matter, possible sources of evidence, and choices among alternative measurement or evaluation methods.
- The practitioner's understanding of the appropriate party(ies) 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.
- Whether the risk of fraud is relevant to the engagement.
- 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.

A81. The practitioner may decide to discuss elements of planning with the appropriate party(ies) to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the appropriate party(ies)'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

appropriate party(ies) may compromise the effectiveness of the engagement by making the procedures too predictable.

- A82. 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.
- A83. 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, coordination 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, including the underlying subject matter and criteria, 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 appropriate parties, can serve as the documented engagement strategy for the current engagement.

*Materiality* (Ref: Para. 36)

- A84. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, for the same intended users, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.
- A85. 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 A84–A91. If the applicable criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.
- A86. 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 underlying 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 A16–A18).

A87. 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 professional judgment.

A88. Qualitative factors may include such things as:

- The number of persons or entities affected by the subject matter.
- 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 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 law or regulation.
- In the case of periodic reporting on an underlying subject matter, the effect of an adjustment that affects past or current 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 between the responsible party, the measurer or evaluator, or the engaging party or their relationship with other parties.
- When a threshold or benchmark value has been identified, whether the result of the procedure deviates from that value.
- When the underlying subject matter is a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility and sensitivity of the program or entity.
- When the subject matter information relates to a conclusion on compliance with law or regulation, the seriousness of the consequences of non-compliance.A89. 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).

- A89. 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).
- A90. When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter information to be materially misstated. It may therefore be appropriate when planning the nature, timing and extent of procedures for the practitioner to determine a quantity less than materiality as a basis for determining the nature, timing and extent of procedures.
- A91. Materiality relates to the information covered by the assurance report. Therefore, when the engagement covers some, but not all aspects of the information communicated about an underlying subject matter, materiality is considered in relation to only that portion that is covered by the engagement.

### **Obtaining Evidence**

#### *Understanding the Engagement Circumstances (Ref: Para. 37-37A)*

- A92. Obtaining an understanding of the underlying subject matter and other engagement circumstances 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.
- A93. The practitioner ordinarily has a lesser depth of understanding than the responsible party. The practitioner also ordinarily has a lesser depth of understanding for a limited assurance engagement than for a reasonable assurance engagement, for example, while in some limited assurance engagements the practitioner may obtain an understanding of internal control over the preparation of the subject matter information, this is often not the case.
- A93A. In a limited assurance attestation engagement, identifying the areas where material misstatements have a greater than acceptable level of risk of occurring enables the practitioner to focus procedures on the elements of the subject matter information that are most important to obtaining limited assurance. For example, in an engagement when the subject matter information is a sustainability report, the practitioner may focus on key elements of the

sustainability report. The practitioner may design and perform procedures over the entire subject matter information when the subject matter information consists of only a single area or when obtaining assurance over all areas of the subject matter information is necessary to obtain meaningful assurance.

A93B. In an attestation engagement, when obtaining an understanding of the underlying subject matter and other engagement circumstances, the practitioner ordinarily considers relevant controls or processes: (Ref: Para. 37A(T)(b))

- (a) In a reasonable assurance engagement, understanding internal control over the subject matter information assists the practitioner in identifying the types of misstatements and factors that affect the risks of material misstatements in the subject matter information. The practitioner ordinarily evaluates the design of relevant controls and determines whether they have been implemented, by performing procedures in addition to inquiry of the responsible party. Professional judgment is needed to determine which controls are relevant in the engagement circumstances.
- (b) In a limited assurance engagement, considering the process used to prepare the subject matter information assists the practitioner in designing and performing procedures that address the areas that have a greater than acceptable risk in the engagement circumstances. In considering the process used, the practitioner uses professional judgment to determine which aspects of the process are relevant to the engagement, and inquires of the appropriate party about those aspects.
- (c) The results of the entity's risk assessment process.

A93C. When performing a direct engagement, if the practitioner intends to use controls over the underlying subject matter then the practitioner may find it useful to consider the design, implementation and operating effectiveness of controls over the underlying subject matter.

*The Nature, Timing and Extent of Procedures* (Ref: Para. 41(T), 41(D))

A94. The practitioner chooses a combination of procedures to obtain reasonable assurance or limited assurance, as appropriate. The procedures listed below may be used, for example, for planning or performing the engagement, depending on the context in which they are applied by the practitioner:

- Inspection;
- Observation;
- Confirmation;
- Re-calculation;
- Re-performance;
- Analytical procedures; and
- Inquiry.

A94A. Factors that may affect the practitioner's selection of procedures include: the nature of the underlying subject matter, and the information needs of the intended users and the engaging party, including relevant time and cost constraints. Whether the engagement is a direct engagement or an attestation engagement may also affect the selection of procedures, although the requirement to obtain sufficient appropriate evidence is equally applicable for both direct and attestation engagements.

A95. 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.

A95A. In some engagements, the practitioner may not identify any areas in the subject matter information where material misstatements have a greater than acceptable risk of occurring. In such circumstances, the practitioner selects sufficient areas to obtain a meaningful level of assurance and designs and performs procedures on those areas. (Ref: Para 41(D)(b)(ii))

*Additional Procedures* (Ref: Para. 41(c), 42A(T), 42A(D))

A96. 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 practitioner 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.

A97. The practitioner may become aware of a matter(s) that causes the practitioner to believe the subject matter information may be materially misstated. For example, when performing analytical procedures the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. In such cases, the practitioner may investigate such differences by, for example, inquiring of the appropriate party(ies) or performing other procedures as appropriate in the circumstances.

A98. If, in the case of a limited assurance engagement, a matter(s) 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 42A 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(s) is not likely to cause the subject matter information to be materially misstated or determine that it does cause the subject matter information to be materially misstated, a scope limitation exists and paragraph 57 applies.

*Accumulating Uncorrected Misstatements* (Ref: Para. 43, 56(a))

A99. Uncorrected misstatements are accumulated during the engagement (see paragraph 43) for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner's conclusion (see paragraph 56(a)).

A99A. The practitioner may 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 materiality determined in accordance with paragraph 36, 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.

[A100-A105 now A132A-F]

## Considerations When a Practitioner's Expert is Involved on the Engagement

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

A106. 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 A64):

- (a) The significance of that expert's work in the context of the engagement (see also paragraphs A107–A108);
- (b) The nature of the matter to which that expert's work relates;
- (c) In an attestation engagement, 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 also paragraphs A109–A110).

### Integrating the work of a practitioner's expert

A107. 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.

A108. As noted at paragraph A65, 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

A109. 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 law or regulation, that are at least as demanding as ISQC 1. 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.

A110. 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))

A111. 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 also paragraphs A109–A110).

A112. 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 relevant ISAEs to enable that expert to relate the work assigned to them to the engagement objective.

A113. 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.

A114. When evaluating the objectivity of a practitioner's external expert, it may be relevant to:

- Inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) 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 appropriate party(ies) of which that expert is aware.

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

A115. 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.

A116. 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))

A117. 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.

A118. The matters noted in paragraph A110 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))

A119. 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.

A120. 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.

*Work Performed by Another Practitioner or an Internal Auditor* (Ref: Para. 46)

A121. While paragraphs A106–A120 have been written in the context of using work performed by a practitioner's expert, they may also provide helpful guidance with respect to using work performed by another practitioner or an internal auditor.

*Written Representations* (Ref: Para. 47)

A122. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the appropriate party(ies). 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 appropriate party(ies), which may vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics.

A123. In a direct engagement where the responsibility for the underlying subject matter is prescribed by law or regulation 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 appropriate party(ies) 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.

A124. Other written representations requested may include the following:

- Whether the appropriate party(ies) 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 appropriate party(ies) has communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial and inconsequential of which the appropriate party(ies) 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.

A125. Representations by the appropriate party(ies) 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 practitioner obtains.

#### Requested Written Representations Not Provided or Not Reliable (Ref: Para. 52)

A126. 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 practitioner is required by the legislature or other competent authority 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 57 of this ISAE applies.

#### Considering Subsequent Events (Ref: Para. 53)

A127. 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.

A128. As noted in paragraph 53, the practitioner has no responsibility to perform any procedures regarding the subject matter information after the date of the practitioner's report. However, if, after the date of the practitioner's report, a fact becomes known to the practitioner that, had it

been known to the practitioner at the date of the practitioner's report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with the appropriate party(ies) or take other action as appropriate in the circumstances.

#### **Other Information** (Ref: Para. 54)

A129. 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 appropriate party(ies) to consult with a qualified third party, such as the appropriate party(ies)'s legal counsel.
- Obtaining legal advice about the consequences of different courses of action.
- Communicating with third parties (for example, a regulator).
- Withholding the assurance report.
- Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.
- Describing the material inconsistency in the assurance report.

#### **Description of the Applicable Criteria** (Ref: Para. 55)

A130. 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.

A131. 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 relevant requirements of those criteria that are effective.

A132. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, "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**

*Sufficiency and Appropriateness of Evidence* (Ref: Para. 8(i) and 55A) [Note – A132A-F was previously A100-A105. A132G is new]

A132A. 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 appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the appropriate party(ies). 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 appropriate party(ies) 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.

A132B. 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 misstated (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.

A132C. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the practitioner's conclusion. 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 appropriate party(ies), 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 appropriate party(ies).
- 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).

A132D. 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 appropriate party(ies) may increase the assurance the practitioner obtains from a representation from the appropriate party(ies). 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.

A132E. 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.

A132F. Whether sufficient appropriate evidence has been obtained on which to base the practitioner's conclusion is a matter of professional judgment.

A132G. In some circumstances, the practitioner may not have obtained the sufficiency or appropriateness of evidence that the practitioner had expected to obtain through the planned procedures. In these circumstances, the practitioner considers that the evidence obtained from

the procedures performed is not sufficient and appropriate to be able to form a conclusion on the subject matter information. The practitioner may:

- Extend the work performed; or
- Perform other procedures judged by the practitioner to be necessary in the circumstances.

Where neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion. This situation may arise even though the practitioner has not become aware of a matter(s) that causes the practitioner to believe the subject matter information may be materially misstated, as addressed in paragraph 42A(T).

*Evaluating the Sufficiency and Appropriateness of Evidence (Ref: Para. 56)*

A133. 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 professional judgment about the reliability of particular sources of information.
- The practitioner may become aware of discrepancies in relevant information, or inconsistent or missing evidence.
- If analytical procedures were performed towards the end of the engagement, the results of those procedures may indicate a previously unrecognized risk of material misstatement.

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

A134. The practitioner's professional 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 appropriate party(ies)'s responses to address the known risks.
- Experience gained during previous assurance engagements with respect to similar matters.
- Results of procedures performed, including whether, in a limited assurance engagement, further procedures were required under paragraph 42A.
- Source and reliability of the available information.
- Persuasiveness of the evidence.
- Understanding of the appropriate party(ies) and its environment.

*Scope Limitations (Ref: Para. 57)*

A135. A scope limitation may arise from:

- (a) Circumstances beyond the control of the appropriate party(ies). 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 responsible party, the measurer or evaluator, or the engaging party on the practitioner who, for example, may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of engagement risk and engagement acceptance and continuance.

A136. 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.

A137. The procedures performed in a limited assurance engagement are, 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 (see paragraph 20(b)(iii)) and a rational purpose (see paragraph 20(b)(v)). If a further limitation is imposed the appropriate party(ies) after a limited assurance engagement has been accepted, it may be appropriate to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.

*Forming a Conclusion in a Direct Engagement (Ref: Para 56(b))*

A137A. In a direct engagement, considering the materiality of the cumulative results of procedures performed includes the materiality considerations noted in paragraph A88.

**Preparing the Assurance Report**

*Form of Assurance Report (Ref: Para. 58–59)*

A138. 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 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.

A139. 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.

A140. 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. The practitioner may find it helpful to consider the significance of providing such information to the information needs of the intended users. As required by paragraph 59, additional information is clearly separated from the practitioner's conclusion and worded in such a manner so as to make it clear that it is not intended to detract from that conclusion.

#### *Assurance Report Content*

##### Title (Ref: Para. 60(a))

A141. 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. 60(b))

A142. 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. 60(c))

A143. 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 responsible party or component of the responsible party 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. 60(d))

A144. 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 law or regulation, 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. 60(e))

A145. 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. 60(f))

A146. 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.

A147. In addition to the alert required by paragraph 60(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 law or regulation 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.

#### Relative Responsibilities (Ref: Para. 60(g))

A148. 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. 60(h))

A149. 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 this ISAE.

Summary of the Work Performed (Ref: Para. 60(k))

A150. 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. Other International Standards may be useful to practitioners in preparing the summary.

A151. 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.

A152. 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 a form that conveys that, based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated, 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 also may be appropriate to indicate certain procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the practitioner's required understanding and consideration of engagement risk is less than in a reasonable assurance engagement.

A152A. Factors to consider in determining the level of detail to be provided in the summary of the work performed include:

- Circumstances specific to the entity (e.g., the differing nature of the entity's activities compared to those typical in the sector).
- Specific engagement circumstances affecting the nature and extent of the procedures performed.
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

A153. 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. 60(l))

A154. 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 form of an opinion 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 form of an opinion 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.").

A155. In a direct engagement, the practitioner's conclusion is always worded in terms of the underlying subject matter and the criteria.

A156. It may be appropriate to inform the intended users of the context in which the practitioner's conclusion is to be read when the assurance report includes an explanation of particular characteristics of the underlying subject matter of which the intended users should be aware. 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."

A156A. Example of an opinion expressed in the form appropriate for a reasonable assurance engagement are: "In our opinion, based on our work described in this report, the internal control is effective in all material respects, based on XYZ criteria" or "In our opinion, based on our work described in this report, the measurer's or evaluator's statement that internal control is effective is fairly stated, in all material respects, based on XYZ criteria."

A157. Examples of conclusions expressed in a form appropriate for a limited assurance engagement are:

For attestation engagements:

- "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";
- "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"; or
- "Based on our work described in this report, we are not aware of any material amendments that need to be made to the subject matter information for it to be in accordance with the applicable criteria."

For direct engagements:

- "Based on our work described in this report, nothing has come to our attention that causes us to believe that the departmental funds have not been expended in a value for money way."

These forms of expression convey 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.

A158A. Other forms of expression which may be useful for other underlying subject matters include, for example:

- For compliance engagements—"in compliance with";
- For engagements when the criteria describe a process or methodology for the preparation and/or presentation of the subject matter information—"properly prepared"; and
- For engagement when the principles of fair presentation are embodied in the criteria—"fairly stated."

A158B. The modified conclusion paragraph should have an appropriate title, such as “Qualified Conclusion”, “Adverse Conclusion,” or “Disclaimer of Conclusion” as appropriate.

The Practitioner’s Signature (Ref: Para. 60(m))

A159. The practitioner’s signature is either in the name of the practitioner’s firm, the personal name of the individual practitioner or both, as appropriate for the particular jurisdiction. In addition to the practitioner’s signature, in certain jurisdictions, the practitioner may be required to make a declaration in the practitioner’s report about professional designations or recognition by the appropriate licensing authority in that jurisdiction.

Date (Ref: Para. 60(n))

A160. 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.

*Reference to the Practitioner’s Expert in the Assurance Report* (Ref: Para. 61)

A161. In some cases, law or regulation 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.

A162. 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.

A163. 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.

**Unmodified and Modified Conclusions** (Ref: Para. 64(b), 65)

A164. 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).

A165. The term ‘pervasive’ describes 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 professional judgment:

- (a) Are not confined to specific aspects of the subject matter information;

- (b) If so confined, represent or could represent a substantial proportion of the subject matter information; or
- (c) In relation to disclosures, are fundamental to the intended users' understanding of the subject matter information.

**Other Communication Responsibilities** (Ref: Para. 68)

A166. Matters that may be appropriate to communicate with the responsible party, the measurer or evaluator, the engaging party 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. 69)

A167. Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of professional judgment, and related conclusions. The existence of difficult questions of principle or professional judgment, calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

A168. It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner 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.

A169. 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.

A170. 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 appropriate party(ies) and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

*Quality Control*

A171. 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*

A172. ISQC 1 (or other professional requirements, or requirements in laws or regulation that are at least as demanding as ISQC 1) 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.

A173. 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.

A174. 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.

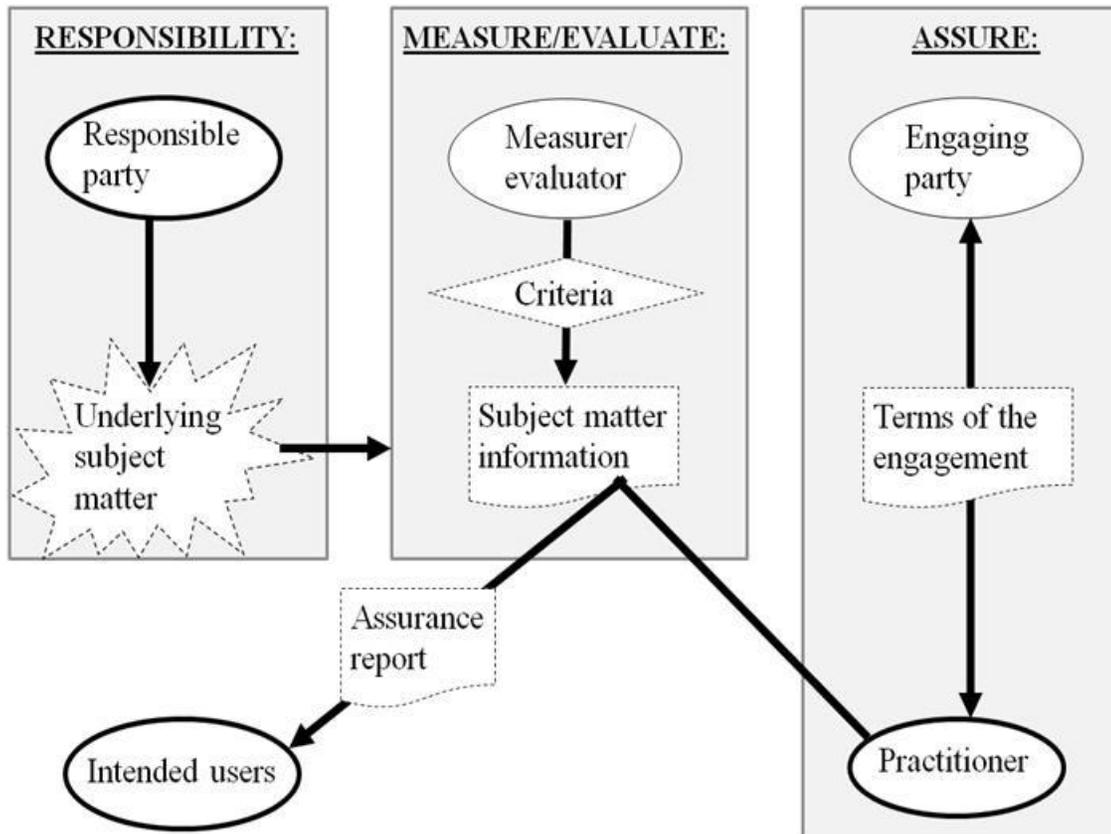
A175. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, regardless of the nature of the amendments or additions, the documentation includes:

- (a) The specific reasons for making the amendments or additions; and
- (b) When, and by whom, they were made and reviewed.

## Appendix

(Ref: Para. A3–A6, A9–A10, A15–A20, A34–A36)

### Roles and Responsibilities



1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party.
2. The above diagram illustrates how the following roles relate to an assurance engagement:
  - (a) The responsible party is responsible for the underlying subject matter.
  - (b) The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
  - (c) The engaging party agrees the terms of the engagement with the practitioner.
  - (d) The 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 the underlying subject matter against criteria.

- (e) The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report.
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. [moved to paragraph A6A].
  - 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.
4. The practitioner and the responsible party may agree to apply the principles of the ISAEs to an engagement when there are no intended users other than the responsible party but where all other requirements of the ISAEs are met. In such cases, the practitioner's assurance report includes a statement restricting the use of the report to the responsible party.