## Purpose of this Supplement

1. Appendix 2 of Agenda Item 2-A includes a summary of the key themes arising from the exposure of proposed ISAE 3000 (Revised) (ED-3000) to enable current IAASB members to reflect upon the history of the deliberations over preceding IAASB meetings and the agreements reached therein.
2. Since the release of the ISAE 3000 papers for the September 2013 IAASB meeting, an IAASB member has asked the Task Force to further clarify the comments received on the definition of reasonable assurance (RA) and how the Task Force and IAASB have considered them.
3. This paper responds to this request, and is being shared with the IAASB for its information. It is not intended to question the decisions previously made by the IAASB.

### Overview of Project Proposal

1. The first section of Appendix 2 of Agenda Item 2-A acknowledges that some comments received on ED-3000 pertained to “Conceptual Issues Beyond the Scope of the Project” and summarizes, at a broad level, the Board’s agreed approach to addressing them.
2. In particular, it refers to the discussion at the June 2012 IAASB meeting[[1]](#footnote-2) at which the Task Force indicated to the IAASB that some of the comments received on exposure, such as comments on the role of the Framework and the definition of RA, related to matters outside of the scope of the project.
3. At that meeting, the IAASB agreed with the Task Force and reconfirmed that the scope of the project continued to be appropriate – that is, in light of the extensive debate and due process that preceded approval of ISAE 3000 and the Assurance Framework in December 2003, including the publication of three exposure drafts, the project should “not entail revisiting conceptual matters settled at the time of revising the International Framework for Assurance Engagements.”[[2]](#footnote-3),[[3]](#footnote-4) Such conceptual matters include the definitions of reasonable assurance and limited assurance.

### Background

1. The definition of RA is included in paragraph 12(a)(i)(a) of Agenda Item 2-D and is as follows (showing marked changes from ED-3000):

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 against criteria.

### Specific Comments on the Definition of RA

1. Most respondents supported, or did not raise concern with, the proposals in ED-3000 regarding the definition of RA.
2. Of the few comments received, the majority of these comments that were critical of the definition of RA were related to the difficulty in clearly distinguishing RA from limited assurance (LA). (This is further discussed in paragraph 14 below.)
3. There were a small number of respondents that wanted specific changes to RA. These comments, and the Task Force or IAASB discussion thereon, are briefly summarized below:
   1. RA definition should include engagement risk[[4]](#footnote-5) – This point was raised in the Issues paper presented to the September 2012 IAASB meeting[[5]](#footnote-6) paper. The Task Force noted that the definition of RA already makes reference to engagement risk, and did not see merit in attempting to further quantify the level of engagement risk (see also (b) below for additional discussion on quantifying assurance).
   2. RA should refer to the level or degree of assurance obtained such as “high but not absolute[[6]](#footnote-7)” – This point was raised in the Issues paper presented to the September 2012 IAASB meeting[[7]](#footnote-8) paper. At that time, and as recorded in the minutes to that meeting,[[8]](#footnote-9) one IAASB member believed that the term “high but not absolute” should be used for RA. The IAASB extensively deliberated whether the level of assurance could or should be quantified with respect to RA and LA, and ultimately concluded that it preferred more nuanced language for RA and LA as it was not possible to articulate levels of assurance in any meaningful way due to (a) the wide variety of underlying subject matters with the differing inherent limitations for their measurement, evaluation and evidence, and (b) the need for professional judgment in determining the assurance needed to issue a conclusion. Also, for ISAE 3000-level RA engagements, the term “high” could be easily misinterpreted by users given the wide range of underlying subject matters, criteria, and evidence gathering procedures and their impact on the inherent limitations of an engagement. By contrast, the IAASB decided that it could use the term “high” in relation to audits of financial statements as the underlying subject matter, criteria, evidence gathering procedures and associated inherent limitations were known.
4. As noted above, in June 2012 the Task Force indicated to the IAASB that some of the comments received on exposure related to matters outside of the scope of the project, and the IAASB agreed with the Task Force that the scope of the project should not be extended to address such matters.
5. In determining that amending the definition of RA and LA were “conceptual matters settled at the time of revising the International Framework for Assurance Engagements,” and therefore were outside the scope of the project, the Task Force noted that amending the definition of RA in the manner suggested (and similar amendments to limited assurance (LA):
   1. would require extensive further study as it has a significant impact across the range of IAASB pronouncements (including the preparation of material addressing the conceptual basis for assurance so as to provide the Board with the information it needs to appropriately consider the reasons why previous Boards adopted the solutions they did); and
   2. Furthermore, this would require a comprehensive review of the concepts in the Framework, which was also outside the scope of the project[[9]](#footnote-10) and would require careful consideration of the need for re-exposure.
6. In the June 2012 Issues Paper, the Task Force also highlighted that addressing conceptual issues scoped out since the project’s inception would come at the expense of other planned work in the IAASB’s Strategy and Work Plan. Further, because ED-3000 was based on not including fundamental conceptual changes, including such changes would likely require re-exposure to enable respondents to consider the fundamentally changed Framework and ISAE 3000 – further delaying progress in this area.
7. Respondents also noted that:

* LA and RA should be better differentiated - The Task Force has responded to these points by better distinguishing LA from RA through clarifications to the definition of LA using the existing text in the extant Framework and ISAE 3000 and improvements to the application material specific to LA (see paragraphs 12(a)(i)(b) and A3-A7 of Agenda Item 2-D).
* ISAE 3000 should further clarify, based on the concepts in existing Framework and ISAE 3000, when RA is not appropriate – The Task Force also made a number of changes to ISAE 3000 to address this point:
  + Paragraph A11 notes that if the criteria are unsuitable for a RA engagement, they are also unsuitable for a LA engagement, as the suitability of criteria is not affected by the level of assurance. Application material makes a similar point in relation to underlying subject matters[[10]](#footnote-11) and materiality.[[11]](#footnote-12)
  + New paragraph 26A and 27A explicitly require the practitioner to determine whether the applicable criteria are suitable for an assurance engagement and, if discovered after engagement acceptable that some or all of the criteria are unsuitable (or some or all of the underlying subject matter) is not appropriate for an assurance engagement, to take action including considering withdrawing from the engagement.

1. See Section II of the following document [www.ifac.org/sites/default/files/meetings/files/20120611-IAASB-Agenda\_Item\_4-ISAE\_3000-Issues-Final\_0.pdf](http://www.ifac.org/sites/default/files/meetings/files/20120611-IAASB-Agenda_Item_4-ISAE_3000-Issues-Final_0.pdf). [↑](#footnote-ref-2)
2. See Section 4 of the following document [www.ifac.org/sites/default/files/meetings/files/20120917-IAASB-Edinburgh-June2012\_Minutes-Approved\_1.pdf](http://www.ifac.org/sites/default/files/meetings/files/20120917-IAASB-Edinburgh-June2012_Minutes-Approved_1.pdf). [↑](#footnote-ref-3)
3. The following extract is from the approved project proposal for ISAE in relation to scope of the project “*Having already considered, when approving the IAASB Strategy and Work Program, 2009-2011: (a) The nature of feedback received, which primarily relates to how to apply the concepts in particular circumstances, and (b) The extensive debate and due process that preceded approval of ISAE 3000 and the Assurance Framework in December 2003, including the publication of three exposure drafts (1997, 1999 and 2003) and a specially commissioned Study [IAASB, Study 1 “The Determination and Communication of Levels of Assurance Other than High” (2002)] ,the IAASB concluded that this project should “not entail revisiting conceptual matters settled at the time of revising the International Framework for Assurance Engagements*.” The full project proposal is available at [www.ifac.org/sites/default/files/meetings/files/4615.pdf](http://www.ifac.org/sites/default/files/meetings/files/4615.pdf). [↑](#footnote-ref-4)
4. SRA, IRBA [↑](#footnote-ref-5)
5. See paragraphs 14 and 17 of the following document [www.ifac.org/sites/default/files/meetings/files/20120917-Agenda%20Item%203-ISAE\_3000-Issues-v5.pdf](http://www.ifac.org/sites/default/files/meetings/files/20120917-Agenda%20Item%203-ISAE_3000-Issues-v5.pdf). [↑](#footnote-ref-6)
6. AICPA, APB, EBA, EYG, IOSCO, NBA, NOREA, SMPC [↑](#footnote-ref-7)
7. See paragraphs 14 and 17 of the following document [www.ifac.org/sites/default/files/meetings/files/20120917-Agenda%20Item%203-ISAE\_3000-Issues-v5.pdf](http://www.ifac.org/sites/default/files/meetings/files/20120917-Agenda%20Item%203-ISAE_3000-Issues-v5.pdf). [↑](#footnote-ref-8)
8. Section 3 of the September 2012 IAASB meeting minutes [www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-New%20York-September%202012-Public%20Session-Approved\_0.pdf](http://www.ifac.org/sites/default/files/meetings/files/20121210-IAASB-New%20York-September%202012-Public%20Session-Approved_0.pdf). [↑](#footnote-ref-9)
9. The above mentioned project proposal notes “This project may also result in conforming amendments to the Assurance Framework, although…it should not entail revisiting conceptual matters settled at the time that Framework was issued.” [↑](#footnote-ref-10)
10. Paragraph A40 “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.” [↑](#footnote-ref-11)
11. Paragraph A89 “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 and purpose 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.” [↑](#footnote-ref-12)