## INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS 2000
### ASSURANCE ENGAGEMENTS ON SUBJECT MATTERS OTHER THAN HISTORICAL FINANCIAL INFORMATION

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This International Standard on Assurance Engagements (ISAE) contains basic principles and essential procedures (identified in bold type black lettering) together with related guidance in the form of explanatory and other material for assurance engagements other than audits and reviews of historical financial information performed by professional accountants in public practice where no specific ISAE(s) exist. The basic principles and essential procedures are to be interpreted in the context of the explanatory and other material that provides guidance for their application.

To understand and apply the basic principles and essential procedures together with the related guidance, it is necessary to consider the whole text of the ISAE, including explanatory and other material contained in the ISAE, not just that text which is black lettered.

In exceptional circumstances, a professional accountant may judge it necessary to depart from this ISAE in order to more effectively achieve the objective of an engagement. When such a situation arises, the professional accountant should be prepared to justify the departure.

The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISAE. Where no PSP is added, the ISAE is applicable in all material respects to the public sector.
Introduction

1. The purpose of this International Standard on Assurance Engagements (ISAE) is to establish basic principles and essential procedures for, and provide guidance to, professional accountants in public practice (hereinafter referred to as “practitioners”) for the performance of assurance engagements on subject matters other than historical financial information, which are covered by International Standards on Auditing (ISAs), where no specific ISAE(s) exists.

2. For ease of reference, this ISAE uses the terms “reasonable-assurance engagement” and “limited-assurance engagement” to distinguish between the two types of assurance engagement that are permitted to be performed by a practitioner. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain “reasonable assurance” as the basis for a positive form of expression in the practitioner’s conclusion. The objective of a limited-assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but is less than for an audit level engagement, to obtain “limited assurance” as the basis for a negative form of expression in the practitioner’s conclusion.

Relationship with the Framework and ISAs

3. The practitioner should comply with this ISAE when performing an assurance engagement, other than an audit or review of historical financial information, where no specific ISAE(s) exists. This ISAE is to be read in the context of the “International Framework for Assurance Engagements” (the Framework), which defines and describes the elements and objectives of an assurance engagement, and identifies those engagements to which ISAEs apply. In addition, while ISAs do not apply, they may provide guidance in the performance of assurance engagements on subject matters other than historical financial information.

2. This ISAE uses the terms “audit level engagement” and “review level engagement” to distinguish between these two types of assurance engagement. These terms are used for ease of reference only, and it is recognized that various other names may be used for each, including “audit” and “examination,” and “review” and “limited review.”

Ethical Requirements

4. The practitioner should comply with the requirements of Parts A and B of the IFAC Code of Ethics for Professional Accountants (the Code).

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1. Engagement circumstances include the terms of the engagement, including whether an audit-level or a review-level engagement is being undertaken, the characteristics of the subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment and other matters (e.g., events, transactions, conditions and practices) that may have a significant effect on the engagement.

4. The Code referred to here is the version revised and issued in November 2001. Section 8 “Independence for Assurance Engagements” of that version is applicable to assurance engagements when the assurance report is dated on or after December 31, 2004. Earlier application is encouraged.
The members of the assurance team and the firm are to be independent of the assurance client during the period of the assurance engagement. The Code provides a framework of principles that members of assurance teams, firms and network firms use to identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to eliminate the threats or reduce them to an acceptable level, such that independence of mind and independence in appearance are not compromised.

**Quality Control**

The practitioner should implement those quality control procedures that are, in the context of the policies and procedures of the firm, appropriate to the individual engagement. Elements of quality control that are related to an individual engagement include leadership and responsibilities, acceptance and continuance of client relationships and specific engagements, independence, assignment of engagement teams, and engagement performance.

**Engagement Acceptance**

The practitioner should accept an assurance engagement only if the subject matter is the responsibility of a party other than the intended users or the practitioner. As indicated in paragraph 17.24 of the Framework, the responsible party can be one of the intended users, but not the only one. Acknowledgement by the responsible party provides evidence that the appropriate relationship exists and also establishes a basis for a common understanding of the responsibility of each party. Obtaining this acknowledgement in writing provides the most appropriate form of documentation of the responsible party’s understanding, but, recognizing the broad range of assurance engagements, this is not always practical. There may be If the responsible party will not acknowledge responsibility, the practitioner considers:

(a) whether it is appropriate to accept the engagement, e.g., it may be appropriate when other sources of evidence, such as legislation or a contract, that indicate responsibility for the subject matter, e.g., it may be clearly established in legislation or by contract, and

(b) if the engagement is accepted, whether to disclose these circumstances in the assurance report.

The practitioner should accept an assurance engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the practitioner to indicate that the requirements of the Code or of the ISAEs will not be satisfied. Prior to accepting the engagement, the practitioner considers the matters in paragraph 2.14 of the Framework and does not accept the engagement unless the practitioner’s preliminary knowledge of the engagement circumstances indicates that the engagement

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2 “Assurance client” is defined in the Code as “an entity in respect of which a firm conducts an assurance engagement.” If this ISAE is being applied by a professional accountant not in public practice, e.g., an internal auditor; and:
(a) The Framework or ISAEs are referred to in the professional accountant’s report; and
(b) The professional accountant or other members of the assurance team and, when applicable, the firm, network firm or equivalent (e.g., the professional accountant’s employer), are not independent of the entity in respect of which the assurance engagement is being performed, the lack of independence and the nature of the relationship(s) with the assurance client are prominently disclosed in the professional accountant’s report, which does not include the word “independent” in its title, and the purpose and users of the report are restricted.
exhibits all the characteristics noted therein. In addition, if the engaging party is not the responsible party, the practitioner considers the effect this may have on access to records, documentation and other information the practitioner may require to complete the engagement.

Practitioners may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialist skills and knowledge beyond those that individual practitioners ordinarily possess. The practitioner should accept an assurance engagement only if the practitioner is satisfied that those persons who are to perform the engagement collectively possess the necessary professional competencies. Practitioners may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialist skills and knowledge beyond those that individual practitioners ordinarily possess. The practitioner considers whether experts will be required, and whether the practitioner will be able to have a level of involvement in the engagement and an understanding of the aspects of the work for which any expert is used, sufficient to enable the practitioner to accept responsibility for expressing a conclusion on the subject matter.

Agreeing the Terms of the Engagement

The practitioner should agree on the terms of the engagement with the party who engages the practitioner. As a means of reducing uncertainty, the agreed terms are recorded in an engagement letter or other suitable form of contract. In some cases the terms of the engagement objective and subject matter are prescribed by a party or parties other than the one that appoints the practitioner, e.g., by legislation. Where the assurance engagement mandate is legislated, the existence of the legislative mandate may satisfy the requirement to agree the terms of the engagement. Even in those situations the practitioner may still find an engagement letter informative for the party who engages the practitioner.

A practitioner who, before the completion of an assurance engagement, is requested to change the engagement to a non-assurance engagement or from an audit-level reasonable assurance engagement to a review-level limited-assurance engagement should consider the appropriateness of doing so, and should not agree to a change where there is no reasonable justification for the change. A change in circumstances that affects the intended users’ requirements, or a misunderstanding concerning the nature of the engagement ordinarily is considered a reasonable basis for requesting a change in the engagement.

Planning and Performing the Engagement

The practitioner should plan and perform the engagement so that it will be performed in an effective manner to meet the objective of the engagement. Planning consists of developing a general strategy and a detailed approach to the assurance engagement, and assists the proper assignment and supervision of work. Planning involves 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 evidence gathering procedures to be performed and the rationale for their selection. Adequate planning helps to ensure that adequate attention is devoted to important areas of the engagement, that potential problems are identified on a timely basis and that the engagement is properly organized and managed in order for it to be performed in an effective and efficient manner. Adequate planning also assists in the proper assignment of work to engagement team members, facilitates the direction and supervision of engagement team
members and the review of their work, and assists, where applicable, in coordination of work done by other practitioners and experts. The nature and extent of planning activities will vary according to the engagement circumstances, e.g., the size and complexity of the entity and the practitioner’s previous experience with the entity. The following are examples of the main matters to be considered:

- The terms of the engagement objective.
- The characteristics of the subject matter and the criteria to be used.
- The engagement process and possible sources of evidence.
- The practitioner’s understanding of the responsible party and its environment, including the responsible party’s responses to the risk that the subject matter does not conform, in all material respects, with the criteria.
- Identification of intended users and their needs, consideration of materiality and the components of assurance engagement risk.
- Personnel and expertise requirements, including the nature and extent of the involvement of experts.

11. Planning and supervision are continuous throughout the engagement, and plans may need to be changed as the engagement progresses. 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 the evidence obtained from the results of evidence gathering procedures, the practitioner may need to revise the overall strategy and engagement plan, and thereby the resulting planned nature, timing and extent of further procedures.

12. The practitioner should plan and perform an engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter not to conform, in all materially respects, with the identified criteria. An attitude of professional skepticism means the practitioner makes a critical assessment, with a questioning mind, of the validity of information obtained as evidence and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party. For example, an attitude of professional skepticism is necessary throughout the engagement process for the practitioner to reduce the risk of overlooking suspicious circumstances, of overgeneralizing when drawing conclusions from observations, and of using faulty assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.

13. The practitioner should obtain an understanding of the subject matter and other engagement circumstances that is sufficient to assess the risks of the subject matter not conforming, in all materially respects, with the identified criteria, whether due to fraud or error, and sufficient to design and perform further evidence gathering procedures.

14. Obtaining an understanding of the subject matter and other engagement circumstances is an essential part of planning and performing an assurance engagement. In particular, that understanding establishes a frame of reference within which the practitioner exercises professional judgment about assessing risks of the subject matter not conforming materially

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4 Error differs from fraud in that fraud refers to an intentional act by one or more individuals.
with the identified criteria and responding to those risks throughout the engagement, e.g.,
when:

- Considering the characteristics of the subject matter.
- Assessing the suitability of the criteria.
- Identifying areas where special consideration may be necessary, e.g., factors indicative of
  fraud, the need for special skills or the work of an expert.
- Establishing quantitative materiality levels (where appropriate), considering qualitative
  factors relevant to materiality, and evaluating whether preliminary judgments about
  materiality remains appropriate as the engagement progresses.
- Developing expectations for use when performing analytical procedures.
- Designing and performing further evidence gathering procedures to reduce assurance
  engagement risk to an appropriate level.
- Evaluating evidence, including the reasonableness of the responsible party’s oral and
  written representations.

The practitioner uses professional judgment to determine the extent of the understanding
required of the subject matter and other engagement circumstances, which ordinarily is less for
a review-level engagement than for an audit-level engagement. The practitioner considers
whether the understanding that has been obtained is sufficient to assess the risks of the subject
matter not conforming, in all material respects, with the criteria. The depth of understanding
that is required by the practitioner in performing the engagement ordinarily is less than that
possessed by the responsible party.

Assessing the Appropriateness of Subject Matter

The practitioner should assess the appropriateness of the subject matter, which is to be
identifiable, capable of consistent evaluation or measurement against the identified
criteria, and in a form that can be subjected to procedures for gathering evidence to
support the practitioner’s conclusion. The practitioner also identifies those characteristics of
the subject matter that are particularly relevant to the intended users, which are to be described
in the assurance report. As indicated in paragraph 14 of the Framework, a practitioner does not
accept an assurance engagement unless the practitioner’s preliminary knowledge of the
engagement circumstances indicates that the subject matter is appropriate. However, if after
accepting the engagement, the practitioner concludes that the subject matter is not appropriate,
the practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion, or
withdraws from the engagement.

Assessing the Suitability of Criteria

The practitioner should assess the suitability of the criteria to evaluate or measure the
subject matter. Suitable criteria have the characteristics listed in paragraph 27-32 of the
Framework. As indicated in paragraph 7-14 of the Framework, a practitioner does not accept an
assurance engagement unless the practitioner’s preliminary knowledge of the engagement
circumstances indicates that the criteria to be used are suitable. However, if after accepting the
engagement, the practitioner concludes that the criteria are not suitable, the practitioner
expresses a reservation or denial of qualified or adverse conclusion or a disclaimer of conclusion, or withdraws from the engagement.

1720. As indicated in paragraph 28–33 of the Framework, criteria can be either established or specifically developed. The practitioner ordinarily concludes that established criteria are suitable when they are relevant to the needs of the intended users, consistent with the engagement objective. When established criteria exist for a subject matter but specific identified users have agreed to other criteria for their specific purposes, the assurance report notes this fact and states that it is only for the use of those specific identified users and for the purposes they have specified. To illustrate, International Financial Reporting Standards are established criteria for the preparation and presentation of financial statements in the private sector, but specific users may decide to specify an alternative basis of accounting that meets their specific information needs in relation to a proposed acquisition.

1821. For some subject matters it is likely that no established criteria exist, and therefore that the criteria will be specifically developed. The practitioner is satisfied that specifically developed criteria do not result in an assurance report that is misleading to the intended users. The practitioner attempts to obtain from the intended users or those engaging the practitioner, acknowledgement that specifically developed criteria are suitable for the intended users’ purposes. When such acknowledgement cannot be obtained, the practitioner considers the effect of this on the work required to be satisfied as to the suitability of the identified criteria and on the information provided about the criteria in the assurance report.

Materiality and Assurance Engagement Risk

1922. The practitioner should consider materiality and assurance engagement risk when planning and performing an assurance engagement.

2023. The practitioner considers materiality when determining the nature, timing and extent of evidence gathering procedures and when evaluating whether the subject matter conforms, in all material respects, with the identified criteria. When considering materiality, the practitioner needs to understand and assess what factors might influence the decisions of the intended users. For example, when the subject matter is in the form of information and the identified criteria allow for variations in the presentation of that information, the auditor-practitioner considers how the presentation adopted might influence the decisions of the intended users. Materiality is considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and extent of the effect of these factors on the subject matter and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in a particular engagement are matters for the practitioner’s judgment.

2124. The practitioner should reduce assurance engagement risk to an acceptable level in the circumstances of the engagement. [THE FOLLOWING TEXT IS REPEATED VERBATIM FROM PARAGRAPH 37 OF THE FRAMEWORK] In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression in the practitioner’s conclusion. The level of assurance engagement risk is higher in a limited-assurance engagement than in a reasonable assurance engagement because the nature, timing, and extent of evidence gathering procedures is less. However in a limited-
assurance engagement, the combination of the nature, timing, and extent of evidence gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance on the subject matter’s conformance with the identified criteria.

(a) An acceptably low level in the case of an audit-level engagement; or
(b) A moderate level in the case of a review-level engagement.

2225. As indicated in paragraph 38-43 of the Framework, in general, assurance engagement risk comprises inherent risk, control risk and detection risk. The practitioner uses professional judgment when considering the relevance of each of these components to the engagement circumstances, in particular the nature of the subject matter and whether an audit-level reasonable assurance or a review-level limited-assurance engagement is being performed.

Using the Work of an Expert

2326. When the work of an expert is used in the collection and evaluation of evidence, the practitioner and the expert should, on a combined basis, possess adequate skill and knowledge regarding the subject matter and the criteria for the practitioner to determine that sufficient appropriate evidence has been obtained.

2427. The subject matter and related criteria of some assurance engagements may be composed of a number of elements requiring specialized knowledge and skills in the collection and evaluation of evidence. In these situations, the practitioner may decide to use the work of persons from other professional disciplines, referred to as experts, who have the required skills and knowledge of the relevant aspects of the subject matter or criteria. This ISAE does not provide guidance with respect to using the work of an expert for engagements where there is joint responsibility and reporting by a practitioner and one or more experts.

2528. Due care is a required professional quality for all individuals, including experts, involved in an assurance engagement. Persons involved in assurance engagements will have different responsibilities assigned to them. The extent of proficiency required in performing those engagements will vary with the nature of their responsibilities. While experts do not require the same proficiency as the practitioner in performing all the components of an assurance engagement, the practitioner determines that the experts have a sufficient understanding of their ISAEs to enable them to relate the work assigned to them to the engagement objective.

2629. The exercise of due care requires that the work of all persons involved in an assurance engagement comply with this ISAE, including the work of any experts who are not professional accountants. The quality control procedures adopted by the practitioner address the responsibility of each person performing the assurance engagement to ensure compliance with this ISAE in the context of their responsibilities in the engagement process.

2730. When an expert is involved, the practitioner should have a level of involvement in the engagement and an understanding of the aspects of the work for which the expert has been used, sufficient to enable the practitioner to accept responsibility for expressing a conclusion on the subject matter. The practitioner considers the extent to which it is reasonable to use the work of an expert in forming a conclusion on the subject matter.

2831. The practitioner is not expected to possess the same specialized knowledge and skills as the expert. However, the practitioner needs to have sufficient skill and knowledge to:
(a) Define the objectives of the work assigned to the expert and how this work relates to the objective of the engagement;
(b) Consider the reasonableness of the assumptions, methods and source data used by the expert; and
(c) Consider the reasonableness of the findings of the expert in relation to the objective of the engagement circumstances and the conclusion on the subject matter.

When an expert is involved, the practitioner should obtain sufficient appropriate evidence that the work of the expert is adequate for the purposes of the assurance engagement. The practitioner evaluates the sufficiency and appropriateness of the evidence provided by the expert by evaluating:
(a) The professional competence, including experience, and objectivity of the expert;
(b) The reasonableness of the assumptions, methods and source data used by the expert; and
(c) The reasonableness and significance of the expert’s findings in relation to the circumstances objective of the engagement and the conclusion on the subject matter.

Obtaining Evidence

The practitioner should obtain sufficient appropriate evidence on which to base the conclusion. The concepts of sufficiency and appropriateness of evidence are interrelated, and include considering the reliability of evidence. Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence, that is, its relevance and its reliability. The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting a reasonable procedure for which there is no economically viable alternative. The practitioner uses professional judgment in determining the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. However, the practitioner considers the reliability of the information to be used as evidence, e.g., whether the evidence is comprised of original documents, photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.

Sufficient appropriate evidence in a reasonable assurance engagement is obtained through a systematic engagement process involving:
(a) Obtaining an understanding of the subject matter and other engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control;
(b) Assessing the risks of the subject matter not conforming, in all material respects, with the identified criteria;
(c) Responding to assessed risks, which includes developing overall responses, and determining the nature, timing and extent of further procedures;

(d) Performing further procedures that are clearly linked to the risks identified, and include:

- Using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry;
- Substantive procedures and, depending on the nature of the subject matter, tests of the operating effectiveness of controls; and
- Obtaining corroborative evidence through tests of records and tests of responses to inquiries.

(e) Evaluating the sufficiency and appropriateness of evidence obtained.

36. [THE FOLLOWING TEXT IS FROM FRAMEWORK PARA 46, VERBATIM]—In determining the nature, timing, and extent of evidence gathering procedures for a reasonable assurance engagement, the practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting a reasonable procedure for which there is no economically viable alternative. “Reasonable assurance” is less than absolute assurance because reducing assurance engagement risk to zero is very rarely attainable or cost beneficial as a result of such factors as the use of selective testing, the inherent limitations of internal control, the fact that much of the evidence available to the practitioner is persuasive rather than conclusive, the use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence, and in some cases, the characteristics of the subject matter.

Sufficient appropriate evidence to reduce assurance engagement risk to a moderate level is obtained through evidence-gathering procedures limited (compared to an audit-level engagement) to, e.g., inquiry and analytical procedures, based on an understanding of the subject matter and other engagement circumstances and, in certain cases only, additional evidence-gathering procedures. In an audit-level engagement, the level of evidence-gathering procedures is determined by what is reasonable in the circumstances to achieve the objective of the engagement. While a review-level engagement involves the application of assurance skills and techniques and the gathering of evidence, the level of evidence-gathering procedures is that necessary to achieve the objective of the engagement (i.e., to reduce assurance engagement risk to a moderate level) and ordinarily does not involve obtaining evidence about the design of internal control and determining whether it has been implemented, or obtaining corroborating evidence through tests of records and tests of responses to inquiries, using techniques such as inspection, observation, confirmation, re-calculation and re-performance, which are procedures ordinarily performed during an audit-level engagement.

37. [THE FOLLOWING TEXT IS FROM FRAMEWORK PARA 47, VERBATIM]—While a limited assurance engagement involves the application of assurance skills and techniques and the gathering of sufficient appropriate evidence through a systematic engagement process that includes an understanding of the subject matter and other engagement circumstances, the nature, timing and extent of evidence gathering is deliberately limited relative to a reasonable assurance engagement. For some subject matters, limitations are set out in an ISA or subject matter-specific ISAE, e.g., ISA 910 “Engagements to Review Financial Statements” establishes that sufficient appropriate evidence for reviews of financial statements is obtained.
primarily through analytical procedures and inquiries. Where there is no relevant ISA or subject matter-specific ISAE, the nature of limitations will vary with the circumstances of the engagement, in particular: the subject matter, the needs of the intended users and the engaging party, including relevant time and cost constraints. However in a limited-assurance engagement, the combination of the nature, timing, and extent of evidence gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance on the subject matter’s conformance with the identified criteria. Further, if in a review-level limited-assurance engagement a matter comes to the attention of the practitioner that may indicate the subject matter does not conform, in all material respects, with the identified criteria, the practitioner pursues the matter and may need to obtain corroborating evidence performs other procedures as appropriate.

Representations by the Responsible Party

3238. The practitioner should obtain appropriate representations from the responsible party. The possibility of misunderstandings between the practitioner and the responsible party is reduced when oral representations are confirmed by the responsible party in writing. In particular, in a direct reporting engagement, the practitioner also requests from the responsible party a written representation that evaluates or measures the subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended users. If the responsible party will not provide a written representation, this may result in:

(a) A reservation or denial of conclusion, qualified or adverse conclusion or a disclaimer on the basis of a limitation on the scope of the engagement; and

(b) The practitioner including in the assurance report a restriction on its use.

3339. During the course of an assurance engagement, the responsible party may make representations to the practitioner, either unsolicited or in response to specific inquiries. When such representations relate to matters that are material to the subject matter, the practitioner:

(a) Evaluates whether the representations appear reasonable and consistent with other evidence obtained, including other representations;

(b) Considers whether the individuals making the representations can be expected to be well informed on the particular matters; and

(c) In the case of an audit-level reasonable assurance engagement, seeks corroborative evidence. The practitioner may also decide to seek corroborative evidence in the case of a review-level limited-assurance engagement.

3440. Representations by the responsible party cannot be a substitute for other evidence that the practitioner could reasonably expect to be available. If the practitioner is unable to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the subject matter and such evidence is expected to be available, this constitutes a limitation on the scope of the engagement, even if a representation from the responsible party has been received on the matter.

Considering Subsequent Events

3541. The practitioner should consider the effect on the subject matter and on the assurance report of subsequent events up to the date of the assurance report. Completion of the
engagement. When, prior to the date of completion of the engagement, the practitioner becomes aware of events that materially affect the subject matter or the practitioner’s conclusion, the practitioner should consider whether the subject matter reflects those events properly and whether those events are addressed properly in the assurance report. The extent of any consideration of subsequent events depends on the potential for such events to affect the subject matter and to affect the appropriateness of the practitioner’s conclusions. For some assurance engagements the nature of the subject matter may be such that consideration of subsequent events is not relevant to the conclusion. For example, when the engagement is to provide a conclusion about the accuracy of a statistical return at a point in time, events occurring after that point in time, but before the date of the assurance report completion of the engagement, may not affect the conclusion, or require disclosure in the return or the assurance report.

Documentation

3642. The practitioner should document matters that are significant in providing evidence to support the assurance report, and in providing evidence that the engagement was performed in accordance with ISAEs.

3743. Documentation includes a record of the practitioner’s reasoning on all significant matters that require the exercise of judgment, together with the practitioner’s conclusion thereon. In areas involving difficult questions of principle or judgment, the documentation will include the relevant facts that were known by the practitioner at the time the conclusion was reached.

3844. The extent of documentation is a matter of professional judgment since it is neither necessary nor practical to document every matter the practitioner considers. In assessing the extent of documentation to be prepared and retained, it may be useful for the practitioner to consider what is necessary to provide another practitioner who has no previous experience with the engagement, with an understanding of the work performed and the basis of the principal decisions taken, but not the detailed aspects of 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.

Preparing the Assurance Report

3945. The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained as the basis for the conclusion expressed in the assurance report. In forming the conclusion, the practitioner considers all relevant evidence, regardless of whether it appears to corroborate or to contradict the subject matter’s conformity, in all material respects, with the identified criteria, including, where relevant, criteria related to presentation and disclosure.

4046. The assurance report should be in writing and should contain a clear expression of the practitioner’s conclusion about the subject matter.

4147. Oral and other forms of expressing conclusions are open to misunderstanding without the support of a written assurance report. For this reason, the practitioner does not report orally or by use of symbols without also providing a definitive written assurance report that is readily available whenever the oral report is provided or the symbol is used, e.g., a symbol could be hyperlinked to a written assurance report on the Internet.
This ISAE does not require a standardized format for reporting on all assurance engagements, but rather identifies the basic elements required to be included in the assurance report. Assurance reports are tailored to the specific engagement circumstances. The practitioner chooses a narrative (or “long form”) style of reporting or a standardized (or “short form”) style as appropriate to facilitate effective communication to the intended users. “Short-form” reports ordinarily include only the basic elements. “Long-form” reports often describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement and, in some cases, recommendations, as well as the practitioner’s conclusion and the other basic elements. It is important that when findings and recommendations are included, they are clearly separated from the practitioner’s conclusion on the subject matter and that the wording used in presenting them makes it clear they are not intended to affect the practitioner’s conclusion. The practitioner may use headings, paragraph numbers, typographical devices (e.g., the bolding of text) and other mechanisms to enhance the clarity and readability of the assurance report.

Assurance Report Content

The assurance report should include the following basic elements:

(a) **A title that clearly indicates the report is an independent assurance report:** an appropriate title helps to identify the nature of the assurance report, and to distinguish the assurance report from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner.

(b) **An addressee:** an addressee identifies the party or parties to whom the assurance report is directed. Often the intended users are the addressee of the assurance report but in some cases there are intended users other than the addressee.

(c) **A description of the subject matter:** the description includes, when relevant:

   (i) **Identification of the subject matter, e.g:**
   
   - The point in time or period of time to which the subject matter relates.
   - Where applicable, the name of the entity or component of the entity to which the subject matter relates, and

   (ii) **An explanation of those characteristics of the subject matter of which the intended users should be aware:** and how such characteristics may influence the precision with which the subject matter can be evaluated or measured against the identified criteria, or the persuasiveness or conclusiveness of evidence available to support it. For example:

   (ii) The point in time or period of time to which the subject matter relates.

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5 If this ISAE is being applied by a professional accountant not in public practice, e.g., an internal auditor; and:

(a) The Framework or ISAEs are referred to in the professional accountant’s report; and

(b) The professional accountant or other members of the assurance team and, when applicable, the firm, network firm or equivalent (e.g., the professional accountant’s employer), are not independent of the entity in respect of which the assurance engagement is being performed, the lack of independence and the nature of the relationship(s) with the assurance client are prominently disclosed in the professional accountant’s report, which does not include the word “independent” in its title, and the purpose and users of the report are restricted.
• The degree to which the subject matter is: qualitative versus quantitative, objective versus subjective, and historical versus prospective.

• Changes in the measurement of the subject matter or in the organization of the entity that have an impact on the comparability of the subject matter from one period to the next.

• Any inherent limitations that may be associated with the subject matter, such as the imprecision of the measurement techniques being applied.

When the practitioner’s conclusion is worded in terms of an assertion-based engagement, the responsible party’s assertion on the subject matter, that assertion is appended to the assurance report, reproduced in the assurance report or referenced therein to a source that is available to the intended users.

(d) When the criteria used to evaluate or measure the subject matter are available only to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose: whenever the assurance report is intended only for specific intended users or a specific purpose, the practitioner considers stating this fact in the assurance report. While the practitioner cannot control the distribution of the assurance report, this provides a caution to readers of the party or parties to whom the assurance report is restricted or the purpose to which it is restricted.

(e) A statement to identify the responsible party and to describe the responsible party’s and the practitioner’s responsibilities: this informs the intended users that the responsible party is responsible for the subject matter and that the practitioner’s role is to express a conclusion about the subject matter.

(f) Identification of the fact that the engagement was performed in accordance with ISAEs.

(g) A summary of the work undertaken: the summary will help the intended users understand the nature of the assurance conveyed by the assurance report. The summary of the work undertaken in a financial statements audit and reviews as required by ISA 700 “The Auditor’s Report on Financial Statements” and ISA 910 “Engagements to Review Financial Statements” can be used as a guide to the type of summary that may be appropriate, although in non-standard types of assurance where the engagement relates to a subject matter for which there is no specific ISAE that provides a detailed discussion of evidence gathering requirements, it may be appropriate to offer more detail of the work undertaken. Also, because an appreciation of the nature, timing, and extent of evidence gathering procedures undertaken is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, in a review level limited-assurance engagement reports, the summary of the work undertaken: description of the engagement process.

6 While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular reader or purpose does not itself indicate that a duty of care is owed by the practitioner in relation to that reader or for that purpose. Whether a duty of care is owed will depend on the legal circumstances of each case.
(i) Is ordinarily more detailed than for a reasonable assurance engagement and identifies the nature of the limitations on the nature, timing, and extent of evidence gathering procedures. It may be appropriate to indicate specific procedures that were not undertaken that would ordinarily be undertaken in a reasonable assurance engagement; and

(ii) Includes a statement to the effect that the evidence gathering procedures are limited relative to a reasonable assurance engagement, comprised primarily of inquiries and analytical procedures, and that therefore less assurance is obtained than would be the case had an audit-level reasonable assurance engagement been performed.

(h) **Identification of the criteria:** the assurance report identifies the criteria against which the subject matter was evaluated or measured so the intended users can understand the basis for the practitioner’s conclusion. The criteria may either be included in the assurance report or simply be referred to if they are set out in an assertion prepared by the responsible party that is available to the intended users or otherwise available from a readily accessible source. Disclosure of the source of the criteria, and whether or not the criteria are established criteria in the context of the engagement objective and the nature of the subject matter (and if they are not generally accepted, a description of why they are considered suitable) is important in understanding the conclusions expressed, as are other factors when relevant to the circumstances, e.g.:

- Measurement methods used when the criteria allow for choice between a number of methods.
- Any significant interpretations made in applying the criteria to a specific situation.
- Whether there have been any changes in the measurement methods used by the entity.

(i) **The practitioner’s conclusion:** where the subject matter is made up of a number of components, separate conclusions may be provided on each component. While not all such conclusions need to relate to the same level of evidence gathering procedures, each conclusion is clearly of the form appropriate relates to either the audit-level reasonable-assurance or a limited-assurance engagement the review-level.

Where appropriate, the conclusion should inform the intended users of the context in which the practitioner’s conclusion is to be read. The practitioner’s conclusion may, for example, be worded as follows: “this conclusion has been formed on the basis of, and is subject to the inherent limitations outlined elsewhere in this independent assurance report.” This would be appropriate, e.g., when the report includes an explanation of particular characteristics of the subject matter of which the intended users should be aware.

In the case of an audit-level reasonable assurance engagement, the conclusion should be expressed in the positive form. The practitioner’s conclusion may, for example, be worded as follows: “in our opinion subject matter conforms, in all material respects, with criteria” or “the responsible party’s assertion concerning subject matter’s conformity, in all material respects, with criteria is fairly stated.” The positive form of expressing the conclusion should be used only when an audit-level reasonable assurance engagement has been performed.
In the case of a review level limited-assurance engagement, the conclusion should be expressed in the negative form. For example, “nothing has come to our attention that causes us to believe that subject matter does not conform, in all material respects, with criteria” or “nothing has come to our attention that causes us to believe the responsible party’s assertion concerning subject matter’s conformity, in all material respects, with criteria is not fairly stated.”

Where the practitioner expresses a reservation or denial of conclusion that is not unqualified, the assurance report should contain a clear description of all the reasons therefor.

(j) The assurance report date: the assurance report is dated as of the date of completion of the engagement. This informs the intended users that the practitioner has considered the effect on the subject matter and on the assurance report of events of which the practitioner became aware and that occurred up to that date.

(k) The name of the firm or the practitioner, and a specific location, which ordinarily is the city where the practitioner maintains the office that has responsibility for the engagement: this informs the intended users of the individual or firm assuming responsibility for the engagement.

The practitioner may expand the assurance report to include other information and explanations not intended to affect the practitioner’s conclusion as a reservation. Examples include: details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, findings relating to particular aspects of the engagement, and recommendations of the practitioner. When considering whether to include any such information, the practitioner assesses the significance of that information in the context of the objective of the engagement and the needs of the intended users. Additional information is clearly separated from the practitioner’s conclusion and worded in such a manner so as not to affect the conclusion of the practitioner.

Reservation or Denial of Conclusions that are Not Unqualified

4551. The conclusion practitioner should clearly express a qualified or adverse conclusion or a disclaimer of conclusion circumstances where:

(a) The practitioner is of the view that:

• (i) Either one, some or all aspects of the subject matter do not conform, in all material respects, with the identified criteria;

• (ii) In those cases where of an assertion-based engagement in which the practitioner’s conclusion is worded in terms of relates to the assertion rather than the subject matter directly, the responsible party’s assertion, concerning the subject matter’s conformity with the identified criteria that assertion is not fairly stated; or

• The criteria are unsuitable or the subject matter is not appropriate for an assurance engagement; or

(b) The practitioner is unable to obtain sufficient appropriate evidence to reduce assurance engagement risk to the appropriate level, or the responsible party imposes
a restriction that prevents the practitioner from accessing evidence that the practitioner determines may be required to reduce assurance engagement risk to the appropriate level, evaluate one or more aspects of the subject matter’s conformity with the identified criteria.

4652. Where the practitioner expresses a conclusion that is not unqualified reservation about the subject matter, the nature and expression of that reservation conclusion is determined by the nature and materiality of the matter giving rise to the reservation, e.g., whether it relates to some or all aspects of the subject matter not conforming, in all material respects, with the identified criteria (disagreement), or the inability of the practitioner to obtain sufficient appropriate evidence on some or all aspects of the subject matter (scope limitation of scope). When the practitioner expresses a reservation of conclusion or a denial of conclusion, the assurance report discloses all significant facts and reasons relating to the reservation or denial.

4753. In those cases where an assertion-based engagement, if the practitioner’s conclusion is worded in terms of relates to the assertion rather than the subject matter directly, and the responsible party’s assertion, and that assertion has identified and properly described that the subject matter does not conform, in all material respects, with the identified criteria, this would not be a reason for the practitioner need not to express a reservation of an unqualified conclusion. The practitioner does however emphasize the matter by specifically referring to that fact in the assurance report.

Other reporting responsibilities Communicating Matters of Governance Interest

4854. The practitioner should consider other reporting responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the assurance engagement with those charged with governance.

4955. For the purposes of this ISAE, “governance” is the term used to describe the role of persons entrusted with the supervision, control and direction of an entity.7 Those charged with governance ordinarily are accountable for ensuring that an entity achieves its objectives and for reporting to interested parties. If the engaging party is different from the responsible party it may not be appropriate to communicate directly with the responsible party.

5056. For the purpose of this ISAE, “relevant matters of governance interest” are those that arise from the assurance engagement and, in the opinion of the practitioner, are both important and relevant to those charged with governance in overseeing the subject matter. Relevant matters of governance interest include only those matters that have come to the attention of the practitioner as a result of performing the assurance engagement. The practitioner is not required, in the absence of a specific requirement in the terms of the engagement, to design procedures for the specific purpose of identifying matters of governance interest.

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7 Principles of corporate governance have been developed by many countries as a point of reference for the establishment of good corporate behavior. Such principles generally focus on publicly traded companies; however, they may also serve to improve governance in other forms of entities. There is no single model of good corporate governance. Board structures and practices vary from country to country.
Reports on Non-assurance Engagements

57. A report issued by a practitioner in connection with an engagement that is not an assurance engagement, is written so as to clearly distinguish it from an assurance report. A report that is not an assurance report could reasonably be mistaken for an assurance report if, for example, it:

- Implies compliance with the Framework, ISAs or ISAEs.
- Inappropriately uses the words “assurance”, “audit” or “review”.
- Purports to enhance the degree of confidence users can have about the evaluation or measurement of a subject matter.
- Includes a conclusion that could reasonably be mistaken for a conclusion about a subject matter’s conformance with criteria.

58. The practitioner may, by agreement with the responsible party, apply ISAEs in 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 report includes a statement restricting the use of the report to the responsible party.

Effective Date

59. This ISAE is effective for assurance engagements where the assurance report is dated on or after January 1, 2005[date to be inserted]. Earlier application is permissible.

Public Sector Perspective

1. This ISAE is applicable to all professional accountants in the public sector who are independent of the entity for which they perform assurance engagements. Where professional accountants in the public sector are not independent of the entity for which they perform an assurance engagement, this ISAE should be applied with particular reference to the guidance in footnotes 2 and 43.