ISAE 3000—Issues and IAASB Task Force Proposals

Expanding Beyond Financial Reporting

1. ISAE 3000, when compared with the ISAs, has a scope that is expanded in several directions, each of which brings challenges in the way ISAE 3000 needs to be written:

   (a) ISAE 3000 covers subject matters that vary widely (see the illustrative categorization in Appendix 1 to this Paper). For example, the subject matter may be a system/process, which typically is not measured in any quantitative sense, but rather is evaluated with the resulting subject matter information being in the form of a statement, such as “the system of control over ABC process is considered to be effective when evaluated using the XYZ control framework.” A challenge that this type of subject matter brings is that the audit risk model does not apply in the same way, particularly the concept of control risk, which has different applicability across subject matters.

   (b) ISAE 3000 covers “direct reporting engagements” as well as “assertion-based engagements.” As discussed in previous presentations to the IAASB, there has been some difficulty in distinguishing between these engagements. The explanation of the difference between these forms of engagement is currently included in the Assurance Framework, not ISAE 3000. The Task Force intends revising that explanation based on discussion at the December 2009 IAASB meeting and keeping the revised explanation in the Assurance Framework.

   One of the reasons for the difficulty in distinguishing between these engagements has been the terminology used. In particular:

   - The word “assertion” is used with different meanings in different contexts; and
   - The practitioner’s conclusion can be worded “directly in terms of the subject matter and the criteria” not only in a direct reporting engagement but also in an assertion-based engagement.”

   The Task Force therefore suggests changing the terminology in ISAE 3000 as follows:

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1  International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

2  Assurance Framework, paragraph 57 (emphasis added).
### Table: Extant Term vs. Replacement Term

<table>
<thead>
<tr>
<th>Extant Term</th>
<th>Replacement Term</th>
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<tr>
<td>Assertion-based engagement</td>
<td>Attestation assurance engagement (see, e.g., WD.08(c)).</td>
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<tr>
<td>Direct reporting engagement</td>
<td>Direct assurance engagement (see, e.g., WD.08(f)).</td>
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<td>Assertion by the responsible party that is available to the practitioner and may be made available to the intended users, e.g. see extant ISAE 3000.38</td>
<td>If it is not made available to the intended users, it is a “representation” (see, e.g., WD.54). If it is made available to the intended users, it is called a “statement made by the responsible party” (see, e.g., WD. 70(c) and 73(b)).</td>
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<td>Wording the practitioner’s conclusion directly in terms of the subject matter and the criteria</td>
<td>Wording the practitioner’s conclusion <em>in terms of the subject matter and the criteria.</em> (see, e.g. WD.73(b))</td>
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In addition to terminology, some of the difficulties involved with direct assurance engagements include:

- Distinguishing a direct assurance engagement from a compilation engagement, as discussed in the December IAASB meeting.
- The concept of “material misstatement” applies differently. An attestation assurance engagement (like a financial statement audit), involves considering an evaluation or measurement performed by another party, thinking about what could go wrong and testing to see if it did go wrong. In a direct assurance engagement, the practitioner does the evaluation or measurement and so is not focused on looking for a material misstatement made by the initial evaluator/measurer, but rather on ensuring the practitioner has made the initial evaluation/measurement correctly. This matter is discussed in paragraphs A1-A3 of Working Draft of ISAE 3000 at Agenda Item 4-B (the WD).
- It is not always clear when the practitioner has performed the evaluation or measurement that an assurance conclusion in the form expected for an attestation assurance engagement is appropriate (for example, it may seem odd to say “I measured the subject matter and believe that I have adequate evidence for that measurement and, in my opinion, my measurement is fairly stated in accordance with the criteria”).

(c) Limited assurance engagements. As is evident from the issues that the Reviews and Compilations Task Force is deliberating, the assurance process for a limited assurance engagement, in particular the role of risk, can be quite different from a reasonable assurance engagement. This difficulty in identifying appropriate requirements for a limited assurance engagement was also encountered by the GHG Task Force.
2. Added to these differences in scope are other factors that affect how ISAE 3000 needs to be written. For example, ISAE 3000 needs to accommodate: large and small engagements (i.e., it needs to be “scalable”), regulated and unregulated engagements; one-off and continuing engagements; and established services (like reporting on controls at a service organization), emerging services (like GHG assurance), and future services that may not yet have been identified.

Matters for IAASB Consideration

Does the IAASB agree with the proposed changes in terminology outlined in the above table?

Nature and Extent of Requirements

3. Responding to the factors mentioned above could lead the IAASB down either one of two roads. ISAE 3000 could be written at a level of detail that tries to make specific provision for many of the known variables by including numerous conditional requirements that apply only in certain prescribed circumstances. The alternative, which the Task Force favors and believes to be consistent with the general views expressed by the IAASB to date, is to accommodate different engagement circumstances by:

   (a) Including only high level requirements needed on virtually all engagements for those parts of the assurance process that are highly dependent on the engagement circumstances. These topics relate largely to how to design and perform evidence gathering procedures. Guidance on how to apply these requirements in common circumstances may be included in the application material, and more detailed requirements would ordinarily be expected in a subject matter-specific ISAE where one exists.

   (b) Including, for those parts of the assurance process that are common to all assurance engagements, more detailed requirements, thus avoiding the need for them to be repeated or elaborated on to any great extent in subject matter-specific ISAEs. This includes requirements in relation to what have been called “engagement management” topics, in particular: engagement level quality control; considerations when a practitioner’s expert is involved; and documentation. It also applies to the following topics, but to a lesser extent because more specific requirements might be expected on these topics in a subject matter-specific ISAE: engagement acceptance and planning.

4. Feedback on stakeholders’ views regarding the nature and extent of requirements has been sought via the Consultation Paper “Assurance on a GHG Statement” (the GHG Consultation Paper), the comment period for which closed very recently. An oral report on comments received will be given by the Emissions Task Force at the March meeting prior to the discussion of ISAE 3000. Pending that feedback, the ISAE 3000 Task Force believes the

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3 There are other requirements in ISAE 3000 that do not fit into either of these categories, e.g., requirements regarding the authority of ISAEs, and requirements in relation to topics like professional skepticism and professional judgment where a brief, all-encompassing requirement, is all that is necessary in any case.
nature and extent of the proposed requirements in the WD are appropriate. Further, the Task Force is aware that there are differences regarding the nature and extent of requirements between the WD and the Reviews and Compilations project and the Pro Forma project. It notes that the same is true with respect to extant ISAE 3000 and extant ISRE 2400\(^4\) also. While the Task Force has been cognizant of the direction of the Reviews and Compilations project and the Pro Forma project, it did not feel constrained to conform approaches at this early stage in the development of proposed revised ISAE 3000, but rather thought it appropriate to offer its own approach for the IAASB to consider when discussing the range of related projects on the agenda at this meeting. Feedback from members of those other Task Forces based on experience from their respective projects would be particularly appreciated at the March meeting. In addition, the ISAE 3000 Task Force will seek more formal feedback from those other Task Forces after the March meeting.

5. The requirements in the WD are not at the same level of detail as the requirements in the ISAs, but they do not need to be in order to be effective. In the Task Force’s view, the proposed requirements are not so extensive as to make ISAE 3000 unreasonably long, unwieldy, or cumbersome to apply, but at the same time are:

(a) Sufficiently rigorous to result in high-quality assurance engagements in the public interest;

(b) Sufficiently flexible to accommodate the range of circumstances noted in paragraphs 1 and 2 above; and

(c) Sufficiently detailed for consistent application by the audience for which ISAE 3000 is written, i.e. professional accountants in public practice who have “specialist skills, knowledge and experience in assurance concepts and processes developed through extensive training and practical application” (WD.16). It is worth noting in this context also that WD.A5 states that “although ISAs and ISREs have not been written for, and do not apply to engagements covered by ISAEs, they may nevertheless provide some guidance to practitioners in relation to the assurance process generally.” This is consistent with extant ISAE 3000.02.

6. The IAASB will be asked at the March meeting to conduct a section-by-section review of the proposed requirements in the WD, paying particular attention to whether the level at which those requirements have been pitched is appropriate. If some certainty can be achieved in this respect, it will not only assist the ISAE 3000 Task Force but also, importantly, help expedite consideration of the draft ISAE on GHGs which is planned for approval as an ED at the June meeting.

Matter for IAASB Consideration

Does the IAASB agree that the requirements in the WD are pitched at the correct level in terms of their nature and extent?

Feedback on Specific Topics

7. The purpose of the section-by-section review referred to above is to determine whether the requirements are pitched at the correct level. While doing this, the IAASB is asked to consider technical aspects of how the WD deals with a number of specific topics as well. The purpose at this stage is not to fine tune the wording of the WD on these topics (although wording suggestions are always welcome), but rather to determine whether the general direction of the requirements is correct.

Planning

8. WD.39 distinguishes between an overall engagement strategy and an engagement plan. The majority of the Task Force considers this to be appropriate even for smaller engagements (as it is for smaller financial statement audits), since it requires an effective approach to planning that causes the practitioner to consider whether there are any relevant strategic issues that should determine the direction of the engagement, prior to (or at the same time as) developing a detailed plan.

9. The Task Force seeks the IAASB’s views on whether it believes this distinction is necessary.

Subsequent Events

10. WD.64 states:

   “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.”

11. The first part of this requirement (to consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report) is essentially the same as extant ISAE 3000. The remainder was added to be consistent with the objective of ISA 560.⁵

12. The application material to this requirement (WD.A47) includes the statement that “consideration of subsequent events in some assurance engagements may not be relevant because of the nature of the underlying subject matter” and cites an engagement about the accuracy of a statistical return as an example of when this may be so.

13. The Task Force is interested in the IAASB’s views as to whether subsequent events of the nature contemplated in the requirement at WD.64 are sufficiently relevant to the broad range of subject matters to which ISAE 3000 will apply as to justify retaining this requirement.

Experts

Multi-Disciplinary Teams

14. In many assurance engagements, the practitioner, a professional accountant, will not be an expert in the underlying subject matter. In such cases, it is expected that the work of

⁵ ISA 560, “Subsequent Events,” paragraph 4.
practitioner’s experts will commonly be fully integrated into the engagement through the use of multi-disciplinary teams. The IAASB had this in mind when commenting on the working draft of an emissions ISAE attached to the GHG Consultation Paper. That working draft sought to reflect how multi-disciplinary teams should operate.

15. In developing the working draft of ISAE 3000, the Task Force has built on this work and further integrated considerations with respect to experts throughout the requirements, rather than have a standalone section on “using the work of an expert,” which is largely how ISAE 3000 dealt with the topic. As a consequence, practitioners’ experts are referred to in a number of paragraphs throughout the WD (WD.8(j); 8(u); 25(a) and (b); 36; 38; 57-63; and 71).

16. The Task Force is interested in the IAASB’s views on this way of integrating requirements with respect to practitioners’ experts.

Joint Engagements

17. A further issue in relation to experts is the following statement in extant ISAE 3000.27: “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.”

18. At the time ISAE 3000 was written, the IAASB was aware that engagements where a professional accountant(s) and an expert(s) sign a joint assurance report were being contemplated in some jurisdictions. The IAASB had not, however, considered this matter in sufficient detail to state a view on it. It was decided, therefore, to put the above statement in ISAE 300 to exclude such engagements. The wording of the statement has been interpreted by some, however, as saying that while ISAE 3000 does not apply to joint engagements, the IAASB is aware of and condones such engagements, which is not necessarily the case.

19. The Task Force draws the attention of the IAASB to the fact that it has deleted this statement in the WD. The intention in doing so is to neither prohibit nor endorse such engagements, although one Task Force member considers this may be interpreted as a prohibition. The IAASB is asked whether it is comfortable with the approach taken, would like to retain the original statement, or would like the Task Force to investigate this matter further.

Documentation

20. Relative to the level of detail included in the draft emissions ISAE appended to the GHG Consultation Paper, the WD is relatively slender with respect to documentation (WD.77-.78). The Task Force considers that while a detailed approach on this topic may be appropriate for a
subject matter-specific ISAE, a high level approach is appropriate for ISAE 3000 given the vast array of engagement circumstances that ISAE 3000 needs to cover.

21. The requirements of the draft emissions ISAE on documentation are included as Appendix 2 to this Agenda Item for reference.

22. The Task Force seeks the IAASB’s feedback on whether the documentation requirements of ISAE 3000 should be more extensive.

**Fair Presentation versus Compliance Criteria**

23. The Task Force has discussed whether ISAE 3000 should attempt to distinguish between criteria that are the equivalent of financial reporting’s “fair presentation frameworks” and “compliance frameworks.”

24. A question on this matter in the context of reporting on emissions was asked in the GHG Consultation Paper. As noted above, an oral report on comments received on that Paper will be provided at the March meeting. However, pending that feedback, the Task Force has tentatively concluded that it may be difficult to offer helpful guidance on this matter in the absence of a specific subject matter.

25. The Task Force has, therefore, not currently mentioned in the WD the possibility that criteria may be either fair presentation or compliance criteria.

26. The Task Force is interested in whether the IAASB sees a need to distinguish between fair presentation and compliance criteria in ISAE 3000.

**Risk**

27. The WD contains a number of references to the practitioner assessing risk. For example, WD.42 states “the practitioner shall obtain an understanding of the subject matter and other engagement circumstances, sufficient to identify and assess the risks of the subject matter information being materially misstated, and sufficient to design and perform further evidence-gathering procedures.” This requirement is unchanged from extant ISAE 3000.

28. The Task Force is conscious of the IAASB’s ongoing consideration of risk with respect to financial statement review engagements, and has decided not to address this aspect of ISAE 3000 until after it has heard the further discussion on this issue in Agenda Item 3-A at the March meeting.

**Application Material**

29. While feedback during the March meeting on the content of application material would be welcome, the Task Force notes that it is in the process of considering additional material on a number of topics, including assessing the suitability of criteria and materiality.

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7 The term “fair presentation” is not restricted to financial statements only in IAASB pronouncements. For example, ISAE 3402, “Assurance Reports on Controls at a Service Organization” uses “fair presentation” in the context of descriptions of internal control.
Matters for IAASB Consideration

Subject to further possible refinement of the wording, does the IAASB agree with the WD’s treatment of planning, subsequent events, experts and documentation?

What are the IAASB views on whether ISAE 3000 needs to distinguish between fair presentation and compliance criteria?

The IAASB is asked to defer consideration of the WD’s treatment of risk until the June meeting.

Topic-specific ISAEs

30. The Task Force considered whether separate topic-specific ISAEs should be created for the engagement management requirements mentioned in paragraph 3(b) above, i.e., whether there should there be a separate ISAE on, for example, documentation, similar to ISA 230. The possible need for a series of topic-specific ISAEs was contemplated when ISAE 3000 was first issued, and ISAE numbers 3001-3399 were set aside in the IAASB Handbook for this purpose.

31. The Task Force has concluded that separate topic-specific ISAEs are not needed because:

   (a) The volume of the requirements and related guidance on any particular topic is not so great as to hinder the flow of the ISAE from the reader’s perspective.

   (b) Splitting topics out into a separate series would be more difficult for practitioners who would need to consider not only the Assurance Framework, ISAE 3000, and any relevant subject matter-specific ISAEs, but also all the ISAEs in the topic-specific series.

   (c) If a separate series were created, there may be a natural inclination to make each topic-specific ISAE bigger than it may need to be, and to create more topic-specific ISAE than may be needed.

Matters for IAASB Consideration

Does the IAASB agree that a separate series of topic-specific ISAEs is not needed?

Scope

32. As discussed briefly at the December 2009 IAASB meeting, the absence of a definition of “historical financial information” and the wording of the introduction to ISAE 3000 has left room for ambiguity about which standards apply to which engagements.

33. To help clarify the situation, the Task Force has included the following definition of historical financial information. While this definition is not entirely clear cut (particularly its use of the word “primarily”), it is the same definition as that in the ISAs, and the Task Force felt it is important to have symmetry on this point.

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8 ISAE 230, “Audit Documentation.”
34. The wording of the introduction has been changed too. Paragraph 1 of extant ISAE 3000 says that it applies to “assurance engagements other than audits or reviews of historical financial information covered by International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs).” This has been revised and expanded to say:

WD.1. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than reasonable assurance engagements and limited assurance engagements of historical financial information …

WD.2. Audits of historical financial information are reasonable assurance engagements and are dealt with in International Standards on Auditing (ISAs). Reviews of historical financial information are limited assurance engagements and are dealt with in International Standards on Review Engagements (ISREs).

WD.3. When the subject matter information of an assurance engagement includes both historical financial information and other information, it may be possible to plan and perform separate engagements and issue separate reports on each in accordance with the relevant standards. However, when either the historical financial information or the other information is merely incidental to the overall assurance engagement, the entire engagement may be conducted in accordance with either the ISAEs or the ISAs/ISREs, as appropriate.

35. The first of these paragraphs scopes out of ISAE 3000 all assurance engagements of historical financial information. The second paragraph makes it clear that all audits and reviews of historical financial information are to be performed under the ISAs/ISREs. This is consistent with ISA 805, which states that “ISAs in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.”

36. Two questions that might then arise are:

(a) What if the engagement covers both historical financial information and other information (i.e., information that is not historical and/or not financial)? This question is answered by WD.3, which indicates that separate engagements, with separate reports, should be performed. It does, however, allow some discretion when either the historical financial information or the other information is merely incidental to the overall engagement.

(b) What if the engagement is a reasonable or limited assurance engagement on historical financial information but is it not an audit or review as contemplated in the ISAs/ISREs?

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An example of such an engagement would be a direct assurance engagement on historical financial information. Under the paragraphs above as they are currently constructed, the answer to this question would be that such an engagement is not covered by IAASB standards. The Task Force is aware that the Reviews and Compilations Task Force is intending to explore new forms of engagement for SMEs after it has completed the review of ISRE 2400 and ISRS 4410. However, at the moment, an engagement such as a direct assurance engagement on historical financial information has not been contemplated when developing either the ISAs/ISREs or ISAE 3000, and so the majority of the Task Force is of the view that such engagements should be excluded from both sets of standards. This does not mean, however, that such engagements cannot be undertaken. Rather it means that if undertaken, the practitioner cannot purport to have followed IAASB standards. It also does not prevent a national standard-setter from developing a standard for such an engagement, or the IAASB developing such a standard in future. There is a minority view on the Task Force that the IAASB should not scope out such engagements from ISAE 3000, i.e. that all assurance engagements that are not covered by other IAASB standards should be able to cite compliance with ISAE 3000.

### Matters for IAASB Consideration

Does the IAASB agree with introducing the definition of historical financial information from the ISAs without amendment?

Does the IAASB agree with the new introductory text in WD.1-.3?

### Authority of the ISAEs

37. WD.09-.15 establish the authority of the ISAEs. These paragraphs are based on ISA 200.18-.24.

38. Apart from the usual adaptation of language ( “auditor” being changed to “practitioner” etc.), the main difference between these paragraphs in the WD and those in ISA 200 is that the WD does not have an equivalent of ISA 200.21, which deals with objectives stated in individual ISAs:

> “21. To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant ISAs in planning and performing the audit, having regard to the interrelationships among the ISAs, to:

(a) Determine whether any audit procedures in addition to those required by the ISAs are necessary in pursuance of the objectives stated in the ISAs; and

(b) Evaluate whether sufficient appropriate audit evidence has been obtained.”

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10 International Standard on Related Services (ISRS) 4410, “Engagements to Compile Financial Statements.”
39. This requirement is needed in the ISAs because of their structure, which entails one overall objective stated in ISA 200, and each ISA having a separate objective relevant to the topic covered by that ISA. As the Task Force does not envisage having any topic-specific ISAEs (as discussed above), it believes it is unnecessary to have an equivalent of ISA 200.21 in ISAE 3000. The fact that there will be subject matter-specific ISAEs does not change this rationale as it is expected that the objective of subject matter-specific ISAEs will ordinarily be a subject matter-specific version of the ISAE 3000 objective (which, in turn, is modeled largely on the overall objective of an audit per ISA 200).

Preface

40. The authority of the ISAs is articulated in the Preface12 as well as ISA 200. The Task Force intends proposing a conforming amendment to the Preface in identical terms to WD.9-15. The Task Force considered whether WD.9-15 should also be repeated in subject matter-specific ISAEs, but considered this to be unnecessary.

Matters for IAASB Consideration

Does the IAASB agree with the wording of WD.9-15? In particular, does the IAASB agree that no equivalent of ISA 200.21 is needed?

Does the IAASB agree that these paragraphs should be included in the Preface as well as ISAE 3000, but not in subject matter-specific ISAEs?

Inherent Limitations

41. In the section on “Obtaining Evidence,” extant ISAE 3000 included the following text:

“The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative. (ISAE 3000.33)

‘Reasonable assurance’ is less than absolute assurance. Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial as a result of factors such as the following:

• The use of selective testing.
• The inherent limitations of internal control.
• The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.
• The use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
• In some cases, the characteristics of the subject matter. (ISAE 3000.36)”

12 “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services.”
42. This text has been deleted in the WD because the Task Force believes discussion of conceptual matters such as these is better placed in the Assurance Framework. The Task Force intends covering the points above as part of a more extensive discussion in the Assurance Framework on the inherent limitations of an assurance engagement, based on ISA 200’s discussion of the inherent limitations of an audit (ISA 200.A45-A52).

**Matters for IAASB Consideration**

Does the IAASB agree that a discussion of the inherent limitations of an assurance engagement should be included in the Assurance Framework rather than ISAE 3000?
Illustrative Categorization of Subject Matters

The table below shows a categorization of possible subject matters with examples of each. The categorization is helpful in testing whether planned requirements of revised ISAE 3000 will apply to different types of subject matter/subject matter information. It is not necessarily complete, and the categories are not necessarily mutually exclusive. Also, in some cases, the examples are the subject matter information; in other cases, they are the subject matter or merely an indication of the type of question that information could assist with, whichever is more meaningful in the circumstances.

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<thead>
<tr>
<th>Information about:</th>
<th>Historical Information</th>
<th>Future Oriented Information</th>
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<tr>
<td><strong>Financial</strong></td>
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<tr>
<td>Performance</td>
<td>• Income Statement</td>
<td>• Forecast/projected cash flow</td>
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<td>Position</td>
<td>• Balance Sheet</td>
<td>• Forecast/projected financial position</td>
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<td><strong>Non-Financial</strong></td>
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<tr>
<td>Performance/Use of Resources/Value for Money</td>
<td>• A statement of an entity’s GHG emissions</td>
<td>• Expected emissions reductions attributable to a new in technology, or GHGs to be captured by planting trees</td>
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<td></td>
<td>• KPIs</td>
<td>• Statement on projected effective use of resources</td>
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<td>• Statement on effective use of resources</td>
<td>• Statement that a proposed action will provide value for money</td>
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<td>• Statement on Value for Money</td>
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<tr>
<td>Condition</td>
<td>• The description of a system</td>
<td>• Prediction of next week’s weather</td>
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<td></td>
<td>• Physical characteristics, the size of leased property</td>
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<td><strong>System/Process</strong></td>
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<tr>
<td>Design</td>
<td>• Effectiveness of the design of controls at a service organization</td>
<td>• Effectiveness of the design of proposed controls for a new production process</td>
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<tr>
<td>Operation/Performance</td>
<td>• Actual effectiveness of procedures for hiring and training staff</td>
<td>• Whether a risk management system will manage risks as they arise</td>
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<td><strong>Aspects of Behavior</strong></td>
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<tr>
<td>Compliance</td>
<td>• An entity’s compliance with loan covenants (or specific legal or regulatory requirements)</td>
<td>• Whether an entity will continue to comply with loan covenants</td>
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<tr>
<td>Human Behavior</td>
<td>• Evaluation of audit committee effectiveness</td>
<td>• Whether a jury will find a defendant guilty or not</td>
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<td>• Ability to drive a car</td>
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<tr>
<td>Other</td>
<td>• The fitness for purpose of a software package</td>
<td>• An entity’s creditworthiness</td>
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Appendix 2
(Ref. Para 21)

Extract from the Working Draft of Emissions ISAE Attached to the GHG Consultation Paper

Documentation

Documentation of the Assurance Procedures Performed and Engagement Evidence Obtained

94. The practitioner shall prepare on a timely basis engagement documentation that is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand: (Ref. Para A83)

(a) The nature, timing and extent of the assurance procedures performed to comply with the ISAEs and applicable legal and regulatory requirements;
(b) The results of the assurance procedures performed, and the engagement evidence obtained; and
(c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

95. In documenting the nature, timing and extent of assurance procedures performed, the practitioner shall record:

(a) The identifying characteristics of the specific items or matters tested;
(b) Who performed the engagement work and the date such work was completed; and
(c) Who reviewed the engagement work performed and the date and extent of such review.

96. The practitioner shall document discussions of significant matters with the entity and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

97. If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant matter, the practitioner shall document how the practitioner addressed the inconsistency.

Quality Control

98. The practitioner shall include in the engagement documentation:

(a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
(b) Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions.
(c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements.
(d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

**Matters Arising after the Date of the Assurance Report**

99. If, in exceptional circumstances, the practitioner performs new or additional assurance procedures or draws new conclusions after the date of the assurance report, the practitioner shall document:

   (a) The circumstances encountered;
   
   (b) The new or additional assurance procedures performed, engagement evidence obtained, and conclusions reached, and their effect on the assurance report; and
   
   (c) When and by whom the resulting changes to engagement documentation were made and reviewed.

**Assembly of the Final Engagement File**

100. The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. (Ref. Para A84)

101. After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period.

102. In circumstances other than those envisaged in paragraph 99 where the practitioner finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the practitioner shall, regardless of the nature of the modifications or additions, document:

   (a) The specific reasons for making them; and
   
   (b) When and by whom they were made and reviewed.