Assurance Engagements Other than Audits or Reviews of Historical Financial Information—Clean Copy of Working Draft

Working Draft

Introduction

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 performed by professional accountants in public practice.¹

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).

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.

Relationship with other Pronouncements

4. 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. This ISAE has been written for general application to all assurance engagements other than reasonable assurance engagements and limited assurance engagements of historical financial information. Where a subject matter-specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to this ISAE.

Effective Date

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

Overall Objectives of the Practitioner

6. In conducting an assurance engagement, the overall objectives of the practitioner are:²

   (a) To obtain the desired level of assurance (reasonable or limited) about whether the reported outcome of the measurement or evaluation of the underlying subject matter (i.e., the subject matter information) is free from material misstatement, thereby enabling the practitioner to express a conclusion that enhances intended users’ degree of confidence in that outcome;

   (b) To form a conclusion on that outcome based on an evaluation of the engagement evidence obtained; and

   (c) To express clearly that conclusion through a written report that also describes the basis for the conclusion.

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¹ This ISAE also applies to professional accountants in the public sector who are independent of the entity in relation to which they perform assurance engagements.
² TASK FORCE DRAFTING NOTE: Is “thereby enabling the practitioner to express a conclusion that enhances intended users’ degree of confidence in that outcome” needed in (a). Is use of the word “reported” in (a) appropriate. Should there be mention of “sufficient appropriate” engagement evidence in the objectives?
7. In all cases when reasonable assurance cannot be obtained and a qualified conclusion in the practitioner’s assurance report is insufficient in the circumstances for purposes of reporting to the intended users, the ISAEs require that the practitioner disclaim a conclusion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.

Definitions

8. For purposes of this ISAE and other ISAEs, unless indicated to the contrary, the following terms have the meanings attributed below:

(a) Assurance engagement – an engagement in which a practitioner obtains sufficient appropriate engagement evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of an underlying subject matter against criteria. Each assurance engagement is:

(i) Either an attestation assurance engagement or a direct assurance engagement; and

(ii) Either a reasonable assurance engagement or a limited assurance engagement.

(b) Assurance engagement risk – The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated.3

(c) Attestation assurance engagement – An assurance engagement in which a party other than the practitioner prepares the subject matter information portraying the outcome of the evaluation or measurement of the underlying subject matter against the criteria in a report or statement.

(d) Component practitioner – A practitioner who, at the request of the engagement team, performs work on information related to a component.

(e) Criteria – the benchmarks used to evaluate or measure the underlying subject matter including, where relevant, those for presentation and disclosure. For example, the criteria with respect to financial reporting may be IFRS.

(f) Direct assurance engagement – An assurance engagement in which the practitioner evaluates or measures the underlying subject matter against the criteria and presents the resulting subject matter information as part of, or accompanying, the assurance report. Depending on the underlying subject matter, the outcome of the evaluation or measurement in a direct assurance engagement may be similar to a report or statement prepared by the responsible party in an attestation assurance engagement. In other circumstances, however, the outcome may be reflected in the description of the findings and basis for the practitioner’s conclusion in a long-form practitioner’s report. Throughout this ISAE, the term “subject matter information” has been used to refer to the outcome of the measurement or evaluation in both these direct assurance engagement circumstances as well as in attestation assurance engagements.

(g) Engagement circumstances – the broad context defining the particular engagement, which include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the underlying subject matter, the criteria to be used, the information needs of the intended users, relevant characteristics of the parties to the engagement and their environment.

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3 (a) This includes the risk, in direct assurance engagements, that the practitioner inappropriately concludes that the subject matter information does, in all material respects, conform with the criteria, for example: “In our opinion, internal control is effective, in all material respects, based on XYZ criteria.”

(b) In addition to assurance engagement risk, the practitioner is exposed to For purposes of the ISAEs assurance engagement risk does not include the risk that the practitioner might express a conclusion that the subject matter information is materially misstated when it is not. This risk is ordinarily insignificant. Further, assurance engagement risk is a technical term related to the assurance process; it does not relate to the practitioner’s business risks such as loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on. These risks are not part of assurance engagement risk.
and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.

(h) Engagement evidence – Information used by the practitioner in arriving at the conclusions on which the practitioner’s conclusion is based. Engagement evidence includes both information contained in relevant information systems, if any, and other information. For purposes of the ISAEs:

(i) Sufficiency of engagement evidence is the measure of the quantity of engagement evidence. The quantity of the engagement evidence needed is affected by the risks of material misstatement and also by the quality of such engagement evidence.

(ii) Appropriateness of engagement evidence is the measure of the quality of engagement evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner’s conclusion is based.

(i) Engagement partner – The partner or other person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

(j) Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes a practitioner’s external expert engaged by the firm or a network firm.

(l) Historical financial information – Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

(m) Inconsistency – Other information that contradicts an aspect of the subject matter information. A material inconsistency may raise doubt about the assurance conclusions drawn from engagement evidence previously obtained and, possibly, about the basis for the practitioner’s opinion on the subject matter information.

(n) Intended users – the individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.

(o) Limited assurance engagement – An assurance engagement in which the objective is to obtain sufficient appropriate engagement evidence through procedures that are limited compared with those necessary for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner’s conclusion. In a limited assurance engagement, the practitioner reduces engagement risk to a level that provides a meaningful conclusion but, due to the limited procedures performed and limited engagement evidence obtained, is greater than the level of risk for a reasonable assurance engagement. The nature of the procedures to be performed or the level of assurance expected to be obtained in a particular type of limited assurance engagement may be more specifically defined in a subject matter specific ISAE or in the terms of the engagement.

(p) Management’s expert – An individual or organization possessing expertise in a field other than accounting or assurance, whose work in that field is used in an attestation assurance engagement in preparing the subject matter information.

(q) Misstatement – A difference between an aspect of the subject matter information as presented and that required to properly present the outcome of the measurement or evaluation of the subject matter against the applicable criteria. Misstatements include omissions. (Ref. Para A1-A3)

4 “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents where relevant.
(r) Misstatement of fact – Other information that is unrelated to matters appearing in the subject matter information that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing subject matter information.

(s) Other information – Information (other than the subject matter information and the practitioner’s report thereon) which is included, either by law, regulation or custom, in a document containing subject matter information and the practitioner’s report thereon.

(t) Practitioner – “Practitioner” is used to refer to the person or persons conducting the engagement, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where this ISAE expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used.

(u) Practitioner’s expert – An individual or organization possessing expertise in a field other than accounting or assurance, whose work in that field is used by the practitioner to assist the practitioner in obtaining sufficient appropriate engagement evidence. A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm), or a practitioner’s external expert.

(v) Professional accountant – An individual who is a member of an IFAC member body.

(w) Professional accountant in public practice – A professional accountant, irrespective of functional classification (e.g., audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.

(x) Professional judgment – The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.

(y) Professional skepticism – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of engagement evidence.

(z) Reasonable assurance engagement – An assurance engagement in which the objective is to obtain sufficient appropriate engagement evidence to reduce assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion.

(aa) Responsible party – party who:

(i) In a direct assurance engagement, is responsible for the underlying subject matter; or

(ii) In an attestation assurance engagement, is responsible for the subject matter information, and may be responsible for the underlying subject matter.

The responsible party may or may not be the party who engages the practitioner.

(bb) Subject matter information – The outcome of evaluating or measuring the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter. For example, with respect to financial reporting, the subject matter information is typically the financial statements and notes. In the case of an aspect of the entity’s performance, the subject matter information may be the statement describing how the entity performed in relation to the criteria.

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5 As defined in the IFAC Code.
6 As defined in the IFAC Code.
Underlying subject matter – The phenomenon that is evaluated or measured by applying criteria. For example, with respect to financial reporting, the underlying subject matter is typically the financial condition, financial performance and cash flows. For controls, the underlying subject matter may include one or more of their design, implementation and operating effectiveness.

Requirements

Conduct of an Assurance Engagement in Accordance with ISAEs

Complying with ISAEs Relevant to the Engagement

9. The practitioner shall comply with ISAE 3000 and all subject matter-specific ISAEs relevant to the engagement. A subject matter-specific ISAE is relevant to the engagement when the ISAE is in effect, the subject matter of the ISAE is relevant to the engagement, and the circumstances addressed by the ISAE exist.

10. The practitioner shall have an understanding of the entire text of an ISAE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.

11. The practitioner shall not represent compliance with ISAEs unless the practitioner has complied with the requirements of this ISAE and all other ISAEs relevant to the engagement. (Ref. Para: A4-A5)

Objectives Stated in Individual ISAEs

12. The overall objective of the ISAE focuses the practitioner on the desired outcome of the assurance engagement and provides context for understanding what needs to be accomplished in applying the requirements. Based on

Complying with Relevant Requirements

13. Subject to the following paragraph, the practitioner shall comply with each requirement of an ISAE unless, in the circumstances of the engagement:

(a) The entire ISAE is not relevant; or

(b) The requirement is not relevant because it is conditional and the condition does not exist.

14. In exceptional circumstances, the practitioner may judge it necessary to depart from a relevant requirement in an ISAE. In such circumstances, the practitioner shall perform alternative assurance procedures to achieve the aim of that requirement. The need for the practitioner to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the aim of the requirement.

Failure to Achieve an Objective

15. If an objective in a relevant ISAE cannot be achieved, the practitioner shall evaluate whether this requires the practitioner to modify the practitioner’s opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with paragraph 77 of this ISAE.

Competency, Level of Involvement, and Ethical Requirements

16. The engagement partner shall:

TASK FORCE DRAFTING NOTE: This is included in the Application Material as “essential application material,” perhaps it should be moved to the A paragraphs.
(a) Be a professional accountant in public practice who has specialist skills, knowledge and experience in assurance concepts and processes developed through extensive training and practical application; and (Ref: Para. A6-A7) 

(b) Have sufficient skills, knowledge and experience with respect to the subject matter to accept responsibility for the assurance conclusion. (Ref: Para. A8-A9) 

17. The practitioner shall comply with relevant ethical requirements, including those pertaining to independence, relating to assurance engagements. (Ref: Para. A10-A14) 

Professional Skepticism 

18. The practitioner shall plan and perform an engagement with professional skepticism recognizing that circumstances may exist that cause the subject matter information to be materially misstated. 

Professional Judgment 

19. The practitioner shall exercise professional judgment in planning and performing an assurance engagement. 

Management and Those Charged with Governance 

20. Where this ISAE requires the practitioner to inquire of, request representations from, communicate with, or otherwise interact with a party to the engagement, the practitioner shall determine the appropriate person(s) within the party’s management or governance structure with whom to interact. This shall include consideration of which person(s) have the appropriate responsibilities for and knowledge of the matters concerned. (Ref: Para. A15) 

Acceptance and Continuance 

21. The practitioner shall accept or continue an assurance engagement only when the basis upon which it is to be performed has been agreed, through: 

   (a) Establishing whether the preconditions for an assurance engagement are present; 
   (b) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner’s reporting responsibilities 
   (c) The engagement partner being satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed, and determined that conclusions reached in this regard are appropriate (see paragraph 25). 

Agreeing on the Terms of the Engagement 

22. To avoid misunderstandings, the terms of the engagement shall be recorded in an engagement letter or other suitable form of contract. (Ref: Para. A16) 

Preconditions for the Engagement 

23. In order to establish whether the preconditions for an assurance engagement are present, the practitioner shall determine whether: 

   (a) The subject matter is the responsibility of a party other than the intended users or the practitioner; (Ref: Para. A17)
(b) The engagement exhibits all of the following characteristics:

(i) The underlying subject matter is appropriate; (Ref: Para. A18)

(ii) The criteria to be applied in the preparation of the subject matter information used are suitable and will be available to the intended users; (Ref: Para. A19-A20)

(iii) The practitioner will have access to sufficient appropriate engagement evidence to support the practitioner's conclusion; (Ref: Para. A21)

(iv) The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and

(v) A rational purpose.

24. If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement unless required by law or regulation to do so. However, an engagement conducted under such circumstances does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s).

**Engagement acceptance and continuance procedures relevant to the team**

25. In determining that conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements are appropriate, as required by paragraph 21(c), the practitioner shall:

(a) Be satisfied that the engagement team and any practitioner’s external experts collectively have the appropriate competence and capabilities to: (Ref: Para. A22)

(i) Perform the engagement in accordance with professional standards and applicable legal and regulatory requirements; and

(ii) Enable an assurance report that is appropriate in the circumstances to be issued.

(b) Evaluate whether the engagement team will be able to be involved, to the extent necessary to obtain sufficient appropriate engagement evidence regarding the subject matter information, in the work of:

(i) A practitioner’s expert where the work of that expert is to be used; and (Ref: Para. A23-A25)

(ii) A component practitioner where the work of that practitioner is to be used. (Ref: Para. A26)

(c) Have no reason to believe that relevant ethical requirements, such as independence and professional competence, will not be satisfied.

**Acceptance of a Change in the Terms of the Engagement**

26. The practitioner shall not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. If such a change is made, the practitioner shall not disregard engagement evidence that was obtained prior to the change. (Ref: Para. A27)

**Assurance Report Prescribed by Law or Regulation**

27. In some cases, law or regulation of the relevant jurisdiction prescribes the layout or wording of the assurance report. In these circumstances, the practitioner shall evaluate:

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11 TASK FORCE DRAFTING NOTE: This may be too specific and detailed. Perhaps it could be abridged, or dealt with in reporting, application material, or a combination thereof.
(a) Whether users might misunderstand the assurance obtained from the engagement and, if so,
(b) Whether additional explanation in the assurance report can mitigate possible misunderstanding.

If the practitioner concludes that additional explanation in the assurance report cannot mitigate possible misunderstanding, the practitioner shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s).

**Engagement Level Quality Control**

**Leadership Responsibilities for Quality on the Engagements**

28. The engagement partner shall take responsibility for the overall quality of the engagement.  

**Relevant Ethical Requirements**

29. Throughout the assurance engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team.

30. If matters come to the engagement partner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action.

**Independence**

31. The engagement partner shall form a conclusion on compliance with independence requirements that apply to the engagement. In doing so, the engagement partner shall:

   (a) Obtain relevant information from the firm and, where applicable, network firms, to identify and evaluate circumstances and relationships that create threats to independence;
   (b) Evaluate information on identified breaches, if any, of the firm’s independence policies and procedures to determine whether they create a threat to independence for the engagement; and
   (c) Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action.

**Engagement Performance**

**Direction, Supervision and Performance**

32. The engagement partner shall take responsibility for:

   (a) The direction, supervision and performance of the engagement in compliance with professional standards and applicable legal and regulatory requirements; and
   (b) The assurance report being appropriate in the circumstances.

**Reviews**

33. The engagement partner shall take responsibility for reviews being performed in accordance with the firm’s review policies and procedures.
34. On or before the date of the assurance report, the engagement partner shall, through a review of the engagement documentation and discussion with the engagement team, be satisfied that sufficient appropriate engagement evidence has been obtained to support the conclusions reached and for the assurance report to be issued.

Consultation

35. The engagement partner shall:

(a) Take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;

(b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;

(c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and

(d) Determine that conclusions resulting from such consultations have been implemented.

Differences of Conclusion

36. If differences of conclusion arise within the engagement team, with those consulted or any practitioner’s external experts, or where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm’s policies and procedures for dealing with and resolving differences of conclusion.

Planning and Performing the Engagement

Planning

37. The practitioner shall plan the engagement so that it will be performed in an effective manner. (Ref: Para. A28) 3000.12

38. The engagement partner, other key members of the engagement team, and any key practitioner’s external experts, shall be involved in planning the engagement. GHG.32

39. The practitioner shall: (Ref: Para. A29) GHG.33 and 35

(a) Establish an overall engagement strategy that sets the scope, timing and direction of the engagement, and that guides the development of the engagement plan; and

(b) Develop an engagement plan that shall include a description of the nature timing and extent of planned assurance procedures that are required to be carried out so that the engagement complies with ISAEs.

Materiality

40. The practitioner shall consider materiality when planning and performing an assurance engagement. (Ref: Para. A30) 3000.22

41. The practitioner shall consider materiality when determining the nature, timing and extent of evidence-gathering procedures, and when evaluating whether the subject matter information is free of misstatement. 3000.23

Obtaining Engagement Evidence

42. 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. 3000.45
43. The practitioner shall use professional judgment to determine the extent of the understanding required of the underlying subject matter and other engagement circumstances. (Ref: Para. A31-A32)  

44. To obtain reasonable or limited assurance, as appropriate, the practitioner shall design and perform assurance procedures to obtain sufficient appropriate engagement evidence to reduce engagement risk to an acceptably low level in the context of the engagement (i.e., reasonable assurance or limited assurance) and thereby enable the practitioner to draw reasonable conclusions on which to base the practitioner’s conclusion.  

45. When designing and performing evidence gathering procedures, the practitioner shall consider the relevance and reliability of the information to be used as engagement evidence. (Ref: Para. A33-A37)  

46. If information to be used as engagement evidence has been prepared using the work of a management’s expert, the practitioner shall, to the extent necessary, having regard to the significance of that expert’s work for the practitioner’s purposes:  
   (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A38-A41)  
   (b) Obtain an understanding of the work of that expert; and  
   (c) Evaluate the appropriateness of that expert’s work as engagement evidence.  

47. When using information produced by the entity, the practitioner shall evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including as necessary in the circumstances:  
   (a) Obtaining engagement evidence about the accuracy and completeness of the information; and  
   (b) Evaluating whether the information is sufficiently precise and detailed for the practitioner’s purposes.  

48. If:  
   (a) Engagement evidence obtained from one source is inconsistent with that obtained from another; or  
   (b) The practitioner has doubts over the reliability of information to be used as engagement evidence,  
   the practitioner shall determine what modifications or additions to assurance procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the engagement.  

Evidence-gathering Procedures  

50. For both reasonable assurance and limited assurance engagements, the practitioner shall apply assurance skills and techniques to gather sufficient appropriate engagement evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances.  

51. In a reasonable assurance engagement the practitioner shall:  
   (a) Obtain an understanding of the underlying subject matter and other engagement circumstances which, when relevant to the subject matter and other engagement circumstances, includes an understanding of internal control over the preparation of the subject matter information;  

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12 TASK FORCE DRAFTING NOTE: The draft financial statement review Agenda Papers for March 2010 distinguish between (a) knowledge of the entity and its environment, including the entity’s accounting system and accounting records; and (b) an understanding of the applicable financial reporting framework. Discussion of this point by IAASB in March will help the task force draft this paragraph.
(b) Based on that understanding, identify what could be incorrectly evaluated or measured and assess the risk that the subject matter information may be materially misstated;

(c) Respond to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures that are clearly linked to the identified risks;

(d) Perform those procedures, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Those procedures shall involve substantive procedures, including obtaining corroborating information from independent sources, and when relevant to the engagement circumstances, tests of the operating effectiveness of controls over the preparation of the subject matter information; and

(e) Evaluate the sufficiency and appropriateness of engagement evidence.

52. The procedures for gathering sufficient appropriate engagement evidence in a limited assurance engagement shall be limited relative to a reasonable assurance engagement. For some subject matters, specific ISAEs may provide guidance on procedures for gathering sufficient appropriate engagement evidence for a limited assurance engagement. In the absence of a specific ISAE, the practitioner shall determine the nature, timing and extent of procedures in accordance with the circumstances of the engagement, in particular: the underlying subject matter, and the information needs of the intended users and the engaging party, including relevant time and cost constraints.

53. For both reasonable assurance and limited assurance engagements, if the practitioner becomes aware of a matter that leads the practitioner to question whether a material modification should be made to the subject matter information, the practitioner shall pursue the matter by performing other procedures sufficient to enable the practitioner to report.

Representations by the Responsible Party

54. The practitioner shall obtain representations from the responsible party, as appropriate. In an attestation assurance engagement, the practitioner shall request from the responsible party a written representation about the evaluation or measurement of the underlying subject matter against the identified criteria. In a direct assurance engagement, the practitioner shall request from the responsible party a written representation that acknowledges responsibility for the underlying subject matter.

55. During an assurance engagement, the parties to the engagement 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 information, the practitioner shall:

(a) Evaluate their reasonableness and consistency with other engagement evidence obtained, including other representations;

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

(c) Obtain corroborative evidence in the case of a reasonable assurance engagement. The practitioner may also seek corroborative evidence in the case of a limited assurance engagement. (Ref: Para. A42-A43)

Requested Written Representations Not Provided

56. If the one or more of the requested written representations are not provided or practitioner concludes that there is sufficient doubt about the integrity of those providing the written representations that the written representations are not reliable, the practitioner shall:

(a) Discuss the matter with the entity;

(b) Reevaluate the integrity of the entity and evaluate the effect that this may have on the reliability of representations (oral or written) and engagement evidence in general; and
(c) Take appropriate actions, including determining the possible effect on the opinion in the assurance report.

Considerations when a Practitioner’s Expert is Involved on the Engagement

Nature, Timing and Extent of Assurance Procedures

57. The nature, timing and extent of the practitioner’s procedures with respect to a practitioner’s expert will vary depending on the engagement circumstances. (Ref: Para. A43)

The Competence, Capabilities and Objectivity of the Practitioner’s Expert

58. The practitioner shall evaluate whether the practitioner’s expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes. In the case of a practitioner’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity.

59. While practitioner’s experts do not require the same proficiency as the practitioner in performing all aspects of an assurance engagement, the practitioner shall determine that the practitioner’s experts whose work is used have a sufficient understanding of the ISAEs to enable them to relate the work assigned to them to the engagement objective. (Ref: Para. A44-A45)

Obtaining an Understanding of the Field of Expertise of the Practitioner’s Expert

60. The practitioner shall obtain a sufficient understanding of the field of expertise of the practitioner’s expert to enable the practitioner to:

(a) Agree with the practitioner’s expert the nature, scope and objectives of that expert’s work for the practitioner’s purposes; and

(b) Evaluate the adequacy of that work for the practitioner’s purposes.

Agreement with the Practitioner’s Expert

61. The practitioner shall agree, in writing when appropriate, on the following matters with the practitioner’s expert:

(a) The nature, scope and objectives of that expert’s work;

(b) The respective roles and responsibilities of the practitioner and that expert;

(c) The nature, timing and extent of communication between the practitioner and that expert, including the form of any report to be provided by that expert; and

(d) The need for the practitioner’s expert to observe confidentiality requirements.

Evaluating the Adequacy of the Practitioner’s Expert’s Work

62. The practitioner shall evaluate the adequacy of the practitioner’s expert’s work for the practitioner’s purposes: (Ref: Para. A46)

63. If the practitioner determines that the work of the practitioner’s expert is not adequate for the practitioner’s purposes, the practitioner shall:

(a) Agree with that expert on the nature and extent of further work to be performed by that expert; or

(b) Perform additional assurance procedures appropriate to the circumstances.

Considering Subsequent Events

64. 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.
Other Information

65. When documents containing the subject matter information and the assurance report thereon include other information, the practitioner shall read that other information to identify material inconsistencies, if any, with the subject matter information and, if on reading that other information, the practitioner: (Ref: Para. A48)

(a) Identifies a material inconsistency with the subject matter information, or

(b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the subject matter information,

the practitioner shall discuss the matter with the responsible party and take further action as appropriate.

Engagement Quality Control Review

66. For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required, the engagement partner shall: (Ref. Para A49)

(a) Determine that an engagement quality control reviewer has been appointed;

(b) Discuss significant matters arising during the engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and

(c) Not date the assurance report until the completion of the engagement quality control review.

Forming the Assurance Opinion

67. The practitioner shall form a conclusion or conclusions taking into account whether sufficient appropriate engagement evidence has been obtained to support the conclusion expressed in the assurance report. In forming the conclusion, the practitioner considers all relevant engagement evidence obtained, regardless of whether it appears to corroborate or to contradict the subject matter information.

68. The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria. (Ref: Para. A50-A52)

Preparing the Assurance Report

69. The assurance report shall be in writing and shall contain a clear expression of the practitioner's conclusion about the subject matter information.

Assurance Report Content

70. The assurance report shall include the following basic elements: (Ref: Para. A53)

(a) A title that clearly indicates the report is an independent assurance report.13

(b) An addressee.

(c) An identification and description of the subject matter information and, when appropriate, the underlying subject matter

When the practitioner's conclusion is worded in terms of a statement made by the responsible party's, that statement shall be appended to the assurance report, reproduced in the assurance report or referenced therein to a source that is available to the intended users.

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13 See footnote to paragraph A5.
(d) Identification of the criteria.

(e) Where appropriate, a description of any significant, inherent limitation associated with the evaluation or measurement of the underlying subject matter against the criteria.

(f) When the criteria used to evaluate or measure the underlying 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

(g) A statement to identify the responsible party and to describe the responsible party's and the practitioner's responsibilities

(h) A statement that the engagement was performed in accordance with this ISAE or, where there is a subject matter specific ISAE, that ISAE.

(i) A summary of the work performed as the basis for the practitioner’s conclusion.

In a limited assurance engagement the summary of the work performed shall:

- Be sufficient for the intended users to understand the level of assurance obtained.
- State that the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement.

(j) The practitioner's conclusion:

- Where appropriate, the conclusion shall inform the intended users of the context in which the practitioner's conclusion is to be read:
- In a reasonable assurance engagement, the conclusion shall be expressed in the positive form
- In a limited assurance engagement, the conclusion shall be expressed in the negative form
- Where the practitioner expresses a conclusion that is other than unqualified, the assurance report shall contain a clear description of all the reasons

(k) The assurance report date.

(l) 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

Reference to the Practitioner’s Expert in the Assurance Report

71. If the practitioner refers to the work of a practitioner’s expert in an assurance report, the wording of that report shall not imply that the practitioner’s responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert.

Findings and Recommendations

72. Any findings, recommendations or similar information included in the assurance report shall be clearly separated from the practitioner's conclusion on the subject matter information, and the wording used shall make it clear that information is not intended to affect the practitioner's conclusion. (Ref: Para. A53-A55)

Qualified Conclusions, Adverse Conclusions and Disclaimers of Conclusion

73. The practitioner shall not express an unqualified conclusion when the following circumstances exist and, in the practitioner's judgment, the effect of the matter is or may be material:

(a) There is a limitation on the scope of the practitioner's work, that is, circumstances prevent, or party to the engagement imposes a restriction that prevents, the practitioner from obtaining engagement evidence required to reduce assurance engagement risk to the appropriate level. The practitioner shall express a qualified conclusion or a
disclaimer of conclusion;

(b) In those cases where:

- The practitioner's conclusion is worded in terms of a statement made by the responsible party, and that statement is not fairly stated, in all material respects; or
- The practitioner's conclusion is worded directly in terms of the underlying subject matter and the criteria, and the subject matter information is materially misstated, the practitioner shall express a qualified or adverse conclusion; or

(c) When it is discovered, after the engagement has been accepted, that the criteria are unsuitable or the underlying subject matter is not appropriate for an assurance engagement. If the practitioner cannot withdraw from the engagement, the practitioner shall express:

(i) A qualified conclusion or adverse conclusion when the unsuitable criteria or inappropriate underlying subject matter is likely to mislead the intended users; or

(ii) A qualified conclusion or a disclaimer of conclusion in other cases.

74. The practitioner shall express a qualified conclusion when the effect of a matter is not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion is expressed as being “except for” the effects of the matter to which the qualification relates.

75. In those cases where the practitioner's unqualified conclusion would be worded in terms of a statement made by the responsible party, and that statement has identified and properly described that the subject matter information is materially misstated, the practitioner shall either:

- Expresses a qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria; or
- If specifically required by the terms of the engagement to word the conclusion in terms of statement made by the responsible party, expresses an unqualified conclusion but emphasizes the matter by specifically referring to it in the assurance report.

Other Communication Responsibilities

76. The practitioner shall consider other communication responsibilities, including the appropriateness of communicating relevant matters with management or those charged with governance of a party to the engagement or others.

Documentation

Documentation of the Assurance Procedures Performed and Engagement Evidence Obtained

77. The practitioner shall prepare on a timely basis engagement documentation that provides

(a) A record of the basis for the practitioner’s report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand: (Ref: Para. A95)

(i) The nature, timing and extent of the assurance procedures performed to comply with the ISAEs and applicable legal and regulatory requirements;

(ii) The results of the assurance procedures performed, and the engagement evidence obtained; and

(iii) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions; and

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14 In those direct assurance engagements where the subject matter information is presented only in the practitioner's conclusion, and the practitioner concludes that the subject matter does not, in all material respects, conform with the criteria, for example: “In our opinion, except for [...], internal control is effective, in all material respects, based on XYZ criteria;” such a conclusion would also be considered to be qualified (or adverse as appropriate).
(b) Evidence the engagement was planned and performed in accordance with ISAEs and applicable legal, regulatory and quality control requirements. (Ref: Para. A98)

78. 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. (Ref: Para. A56-A62)

**Application and Other Explanatory Material**

**Definitions**

*Attestation Assurance Engagements and Direct Assurance Engagements* (Ref: Para. 5(q))

A1. In an attestation assurance engagement, the responsible party evaluates or measures the underlying subject matter against the criteria, the outcome of which is the subject matter information. The role of the practitioner in an attestation assurance engagement is to obtain sufficient appropriate engagement evidence in order to express a conclusion about whether the subject matter information, as prepared by the responsible party, is free from material misstatement.

A2. In a direct assurance engagement, the practitioner evaluates or measures the underlying subject matter against the criteria, the outcome of which is the subject matter information. The role of the practitioner in a direct assurance engagement is to obtain sufficient appropriate engagement evidence in order to conclude that the subject matter information, as prepared by the practitioner, does not materially misstate the outcome of the evaluation or measurement of the subject matter against the criteria.

A3. In this ISAE, the potential for the subject matter information, as prepared, to be different from that required for it to be in accordance with the applicable criteria is known as the risk of material misstatement for both attestation assurance engagements and direct assurance engagements.

**Conduct of an Assurance Engagement in Accordance with ISAEs** (Ref: Para. 11)

A4. This ISAE includes a number of requirements that apply to all assurance engagements, including engagements in accordance with a subject matter-specific ISAE. In some cases, a subject matter-specific ISAE may include additional requirements or explanatory material in relation to topics dealt with in this ISAE.

A5. 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.

**Competency, Quality Control, and Ethical Requirements**

*Professional Accountants in Public Practice* (Ref: Para. 16(a))

A6. This ISAE has been written in the context of a range of measures taken to ensure the quality of assurance engagements undertaken by professional accountants in public practice, such as those taken by IFAC member bodies in accordance with IFAC’s Member Body Compliance Program and Statements of Membership Obligations. Such measures include:

- Competency requirements, such as education and experience benchmarks for entry to membership, and ongoing continuing professional development/life-long learning requirements.
- Quality control policies and procedures implemented across the firm. ISQC 1 applies to all firms of professional accountants in respect of assurance and related service engagements. Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and 15 International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements,” paragraph 4.
procedures and communicates them to the firm’s personnel:

- Leadership responsibilities for quality within the firm.
- Relevant ethical requirements.
- Acceptance and continuance of client relationships and specific engagements.
- Human resources.
- Engagement performance.
- Monitoring.

- A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Specialist Skills, Knowledge and Experience in Assurance (Ref: Para. 16(a))

A7. As noted in International Education Standard (IES) 8, no one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.

One area of specialization is assurance, which includes, but is broader than, financial statement auditing. Competence in assurance requires specialist skills, knowledge and experience in assurance concepts and processes developed through extensive training and practical application. In many jurisdictions, regulators develop rules for registration (for example, registration as a financial statement auditor) that, along with IES 8, may provide useful benchmarks for assessing compliance with paragraph 16(a) of this ISAE in a particular jurisdiction. Such rules may involve, for example, demonstration of specific competencies, or a requirement to spend set periods of time on particular aspects of assurance engagements.

Skills, Knowledge and Experience with respect to the Subject Matter (Ref: Para. 16(b))

A8. A practitioner may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialized skills and knowledge beyond those ordinarily possessed by an individual.

A9. The IFAC Code requires the professional accountant in public practice to agree to provide only those services that the professional accountant in public practice is competent to perform. The practitioner has sole responsibility for the assurance opinion expressed, and that responsibility is not reduced by the practitioner’s use of the work of a practitioner’s expert. Nonetheless, if the practitioner using the work of a practitioner’s expert, having followed this ISAE, concludes that the work of that expert is adequate for the practitioner’s purposes, the practitioner may accept that expert’s findings or conclusions in the expert’s field as appropriate engagement evidence.

Ethical Requirements Relating to Assurance Engagements (Ref: Para. 17)

A10. The practitioner is subject to relevant ethical requirements, including those pertaining to independence, relating to assurance engagements. Relevant ethical requirements ordinarily comprise Parts A and B of the International Federation of Accountants’ Code of Ethics for Professional Accountants (the IFAC Code) related to assurance engagements together with national requirements that are more restrictive.

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16 ISQC 1, paragraphs 16 and 17.
17 International Education Standard (IES) 8, “Competence Requirements for Audit Professionals.”
18 The IFAC Code, paragraph 210.6.
19 TASK FORCE DRAFTING NOTE: Is this footnote still appropriate: If a professional accountant not in public practice, for example an internal auditor, applies ISAEs, 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 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. Also, that report does not include the word “independent” in its title, and the purpose and users of the report are restricted.
A11. Part A of the IFAC Code establishes the fundamental principles of professional ethics relevant to the practitioner when conducting an assurance engagement and provides a conceptual framework for applying those principles. The fundamental principles with which the practitioner is required to comply by the IFAC Code are:

(a) Integrity;
(b) Objectivity;
(c) Professional competence and due care;
(d) Confidentiality; and
(e) Professional behavior.

Part B of the IFAC Code illustrates how the conceptual framework is to be applied in specific situations.

A12. In the case of an assurance engagement it is in the public interest and, therefore, required by the IFAC Code, that, amongst other things:

(a) In an attestation assurance engagement, the members of the assurance team and the firm be independent of the party responsible for the subject matter information (which may also be responsible for the subject matter); and

(b) In a direct assurance engagement, the members of the assurance team and the firm be independent of the party responsible for the subject matter.

A13. The IFAC Code describes independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.

A14. International Standard on Quality Control (ISQC) 1,20 or national requirements that are at least as demanding, deal with the firm’s responsibilities to establish and maintain its system of quality control for assurance engagements. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.21 Paragraphs 20 and 21 of this ISAE set out the engagement partner’s responsibilities with respect to relevant ethical requirements. As noted at paragraph A25, the engagement team is entitled to rely on a firm’s system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual assurance engagement, unless information provided by the firm or other parties suggests otherwise.

Management and Those Charged with Governance (Ref: Para. 20)

A15. Management and governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. Such diversity means that it is not possible for this ISAE to specify for all engagements the person(s) with whom the practitioner is to interact regarding particular matters. With respect to written representations, these will ordinarily be obtained from senior management or those charged with governance of the responsible party.

Acceptance and Continuance

Agreeing on the Terms of the Engagement (Ref: Para. 22)

A16. The nature and content of the engagement letter or contract will vary with the engagement circumstances, for example, whether the engaging party is the responsible party. The

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20 International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”

21 ISQC 1, paragraphs 20-25.
existence of a legislative mandate may satisfy the requirement to agree on the terms of the engagement. Even in those situations an engagement letter may be useful for both the practitioner and engaging party.

Preconditions for the Engagement

Intended Users (Ref: Para. 23(a))

A17. The responsible party can be one of the intended users, but not the only one. Acknowledgement by the responsible party provides engagement evidence that the appropriate relationship exists, and also establishes a basis for a common understanding of the responsibility of each party. A written acknowledgement is the most appropriate form of documenting the responsible party's understanding. In the absence of an acknowledgement of responsibility, it may be appropriate for the practitioner to:

(a) Refuse to accept the engagement. Accepting it may be appropriate when, for example, other sources, such as legislation or a contract, indicate responsibility; and

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

The Appropriateness of the Underlying Subject Matter (Ref: Para. 23(b)(i))

A18. An appropriate subject matter is:

   (a) Identifiable, and capable of consistent evaluation or measurement against the identified criteria; and

   (b) Such that the information about it can be subjected to procedures for gathering sufficient appropriate engagement evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

Identifying those characteristics of the underlying subject matter that are particularly relevant to the intended users, which are to be described in the assurance report, assists the practitioner when assessing the appropriateness of the underlying subject matter.

The Suitability of the Criteria (Ref: Para. 23(b)(ii))

A19. Suitable criteria have the following characteristics: relevance, completeness, reliability, neutrality, and understandability; and can either be established or specifically developed. Ordinarily, established criteria are suitable when they are relevant to the information needs of the intended users. When established criteria exist for a subject matter, specific users may agree to other criteria for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs in relation to, for example, prudential supervision. In such cases, the assurance report:

   (a) Notes, when it is relevant to the circumstances of the engagement, that the criteria are not embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process; and

   (b) States that it is only for the use of the specific users and for their purposes.

A20. For some subject matters, it is likely that no established criteria exist. In those cases, criteria are specifically developed. Specifically developed criteria should not result in an assurance report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the identified criteria, and the information provided about the criteria in the assurance report.

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22 Refer to paragraph 36 and 37 of the Framework for further explanation.
Access to Records (Ref: Para. 23(b)(iii))

A21. If the engaging party is not the responsible party, this may affect access to records, documentation and other information the practitioner may require as engagement evidence to complete the engagement.

**Engagement acceptance and continuance procedures relevant to the team**

Collective Competence and Capabilities (Ref: Para. 25(a))

A22. ISQC 1 requires the firm to establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.23

Practitioner’s Expert (Ref: Para. 25(b)(i))

A23. Some of the assurance work may be performed by a multi-disciplinary team that includes one or more practitioner’s expert. In a reasonable assurance engagement, for example, a practitioner’s expert may be needed to assist the practitioner in one or more of the matters mentioned in paragraph 51.

A24. A practitioner’s expert may be employed by the practitioner’s firm, or engaged by that firm, perhaps as part of a strategic alliance or ongoing subcontracting arrangement with an organization of experts (such as a firm of consulting engineers). A practitioner’s internal expert may be a partner or staff, including temporary staff, of the practitioner’s firm, and therefore subject to the quality control policies and procedures of that firm in accordance with ISQC 1 or national requirements that are at least as demanding. Alternatively, a practitioner’s internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the practitioner’s firm. A practitioner’s external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with ISQC 1.

A25. Engagement teams are entitled to rely on the firm’s system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the practitioner’s procedures with respect to such matters as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner’s evaluation of the objectivity of the practitioner’s expert. Practitioner’s internal experts are subject to relevant ethical requirements, including those pertaining to independence.
- The practitioner’s evaluation of the adequacy of the practitioner’s expert’s work. For example, the firm’s training programs may provide the practitioner’s internal experts with an appropriate understanding of the interrelationship of their expertise with the assurance process. Reliance on such training and other firm processes, such as protocols for scoping the work of the practitioner’s internal experts, may affect the nature, timing and extent of the practitioner’s procedures to evaluate the adequacy of the practitioner’s expert’s work.
- Adherence to regulatory and legal requirements, through monitoring processes.
- Agreement with the practitioner’s expert.

Such reliance does not reduce the practitioner’s responsibility to meet the requirements of this ISAE.

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23 ISQC 1, paragraph 26.
Component Practitioners (Ref: Para.25(b)(ii))

A26. The subject matter information may include information from one or more components upon which a component practitioner may have been required by statute, regulation or for another reason, to express a conclusion. The practitioner, in concluding on the subject matter information, may decide to use the engagement evidence on which that component practitioner’s conclusion is based to provide engagement evidence regarding the subject matter information.

Acceptance of a Change in the Terms of the Engagement (Ref: Para. 26)

A27. A change in circumstances that affects the intended users’ requirements, or a misunderstanding concerning the nature of the engagement, ordinarily will justify a request for a change in the engagement.

Planning and Performing the Engagement

Planning (Ref: Para. 37-39)

A28. 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 reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner to properly assign work to engagement team members, and facilitates their direction and supervision and the review of their work. Further, it assists, where applicable, the coordination of work done by other practitioners and experts. The nature and extent of planning activities will vary with the engagement circumstances, for example the size and complexity of the responsible party and the practitioner's previous experience with it. Examples of the main matters to be considered include:

- The characteristics of the engagement that define its scope, including the terms of the engagement and the characteristics of the underlying subject matter and the identified criteria.
- The reporting objectives of the engagement and the expected timing and the nature of the communications required;
- The results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant
- The engagement process and possible sources of engagement evidence.
- The practitioner’s understanding of the parties to the engagement and their environment, including the risks that the underlying subject matter information may be materially misstated.
- Identification of intended users and their information needs, and consideration of materiality and the components of assurance engagement risk.
- The nature, timing and extent of resources necessary to perform the engagement, such as personnel and expertise requirements, including the nature and extent of experts' involvement.
- The impact of the internal audit function on the engagement.

A29. 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 engagement 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.
Materiality (Ref: Para. 40)

A30. Considering materiality involves the practitioner understanding and assessing what factors might influence the decisions of the intended users. For example, when the identified criteria allow for variations in the presentation of the subject matter information, the practitioner considers how the adopted presentation 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 evaluation or measurement of the underlying subject matter, and the information needs 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.

Obtaining Engagement Evidence

Understanding of the Engagement Circumstances (Ref: Para. 42-43)

A31. Obtaining an understanding of the underlying subject matter provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example when:

- Considering the characteristics of the subject matter;
- Assessing the suitability of criteria;
- Considering the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts, including where special consideration may be necessary; for example, the need for specialized skills or the work of an expert;
- Establishing and evaluating the continued appropriateness of quantitative materiality levels (where appropriate), and considering qualitative materiality factors;
- Developing expectations for use when performing analytical procedures;
- Designing and performing further evidence-gathering procedures to reduce assurance engagement risk to an appropriate level; and
- Evaluating engagement evidence, including the reasonableness of the responsible party’s oral and written representations.

A32. The practitioner ordinarily has a lesser depth of understanding than the responsible party.

Sufficiency and Appropriateness of Engagement Evidence (Ref: Para. 44)

A33. Engagement evidence is necessary to support the practitioner’s conclusion and assurance report. It is cumulative in nature and is primarily obtained from evidence-gathering procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm’s quality control procedures for client acceptance and continuance. Engagement evidence may come from sources inside and outside the responsible party. Also, information that may be used as engagement evidence may have been prepared by an expert employed or engaged by the responsible party. Engagement evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, a party’s refusal to provide a requested representation) is used by the practitioner, and therefore, also constitutes engagement evidence. Most of the practitioner’s work in forming the assurance conclusion consists of obtaining and evaluating engagement evidence.

A34. The sufficiency and appropriateness of engagement evidence are interrelated. Sufficiency is the measure of the quantity of engagement evidence. The quantity of engagement evidence needed is affected by the practitioner’s assessment of the risks of misstatement (the higher the assessed risks, the more engagement evidence is likely to be required) and also by the quality of such engagement evidence (the higher the quality, the less may be required). Obtaining
more engagement evidence, however, may not compensate for its poor quality.

A35. Appropriateness is the measure of the quality of engagement evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner’s conclusion is based. The reliability of engagement evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.

A36. Whether sufficient appropriate engagement evidence has been obtained to reduce engagement risk to an acceptably low level, and thereby enable the practitioner to draw reasonable conclusions on which to base the practitioner’s conclusion, is a matter of professional judgment. 500 and other relevant ISAs establish additional requirements and provide further guidance applicable throughout the engagement regarding the practitioner’s considerations in obtaining sufficient appropriate engagement evidence.

Engagement Risk

A37. Engagement risk is a function of the risks of material misstatement and detection risk. The assessment of risks is based on evidence-gathering procedures to obtain information necessary for that purpose and engagement evidence obtained throughout the engagement. The assessment of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

Management’s Expert (Ref: Para. (46(a))

A38. The risks of material misstatement may increase if the party preparing the subject matter information in an attestation assurance engagement does not possess the necessary expertise. In such cases, a management’s expert may be used in addressing those risks. Relevant controls, including controls that relate to the work of a management’s expert, if any, may also reduce the risks of material misstatement.

A39. A broad range of circumstances may threaten the objectivity of a management’s expert, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats and intimidation threats. Safeguards may reduce such threats, and may be created either by external structures (for example, the management’s expert’s profession, legislation or regulation), or by the management’s expert’s work environment (for example, quality control policies and procedures).

A40. Although safeguards cannot eliminate all threats to a management’s expert’s objectivity, threats such as intimidation threats may be of less significance to an expert engaged by the entity than to an expert employed by the entity, and the effectiveness of safeguards such as quality control policies and procedures may be greater. Because the threat to objectivity created by being an employee of the responsible party will always be present, an expert employed by the responsible party cannot ordinarily be regarded as being more likely to be objective than other employees of the entity.

A41. When evaluating the objectivity of an expert engaged by the responsible party, it may be relevant to discuss with the responsible party and that expert any interests and relationships that may create threats to the expert’s objectivity, and any applicable safeguards, including any professional requirements that apply to the expert; and to evaluate whether the safeguards are adequate. Interests and relationships creating threats may include:

- Financial interests.
- Business and personal relationships.
- Provision of other services.

Representations by the Responsible Party (Ref: Para. 54-55)

A42. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. Written representations requested may include the following:

- That the entity has fulfilled its responsibility for the preparation of the subject matter
information in accordance with the applicable criteria, as set out in the terms of the engagement;

- That the entity has provided the practitioner with all relevant information and access as agreed in the terms of the engagement and reflected all relevant matters in the subject matter information;
- Whether the entity believes the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the subject matter information. A summary of such items shall be included in or attached to the written representation;
- That significant assumptions used in making any material estimates are reasonable; and
- That the entity has communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial and inconsequential of which the entity is aware.

A43. Representations by the responsible party cannot replace other engagement evidence the practitioner could reasonably expect to be available.

Considerations when a Practitioner’s Expert is involved on the Engagement

Nature, Timing and Extent of Assurance Procedures (Ref: Para. 57)

A43. The following matters are ordinarily relevant when determining the nature, timing and extent of those procedures with respect to a practitioner’s expert

(a) The nature of the matter to which that expert’s work relates;
(b) The risks of material misstatement in the matter to which that expert’s work relates;
(c) The significance of that expert’s work in the context of the engagement;
(d) The practitioner’s knowledge of and experience with previous work performed by that expert; and
(e) Whether that expert is subject to the practitioner’s firm’s quality control policies and procedures.

The Competence, Capabilities and Objectivity of the Practitioner’s Expert (Ref: Para. 58-59)

A44. The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the practitioner’s expert and the significance of the expert’s work in the context of the engagement. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if a proposed practitioner’s expert is an individual who has played a significant role in preparing the subject matter information, that is, if the practitioner’s expert is a management’s expert.

A45. When evaluating the objectivity of a practitioner’s external expert, it may be relevant to:

- Inquire of the entity about any known interests or relationships that the entity has with the practitioner’s external expert that may affect that expert’s objectivity.
- Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the practitioner’s expert include:
  - Financial interests.
  - Business and personal relationships.
  - Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner’s external expert about any interests or relationships...
with the entity of which that expert is aware.

_Evaluating the Adequacy of the Practitioner’s Expert’s Work_ (Ref: Para. 62)

A46. The following matters are ordinarily relevant when evaluating the adequacy of the practitioner’s expert’s work for the practitioner’s purposes:

(a) The relevance and reasonableness of that expert’s findings or conclusions, and their consistency with other engagement evidence;

(b) If that expert’s work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and

(c) If that expert’s work involves the use of source data that is significant to that expert’s work, the relevance, completeness, and accuracy of that source data.

_Considering Subsequent Events_ (Ref: Para. 64)

A47. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the practitioner’s conclusion. Consideration of subsequent events in some assurance engagements may not be relevant because of the nature of the underlying subject matter. For example, when the engagement requires a conclusion about the accuracy of a statistical return at a point in time, events occurring between that point in time and the date of the assurance report may not affect the conclusion or require disclosure in the return or the assurance report.

_Other Information_ (Ref: Para. 65)

A48. Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example:

- Requesting the entity to consult with a qualified third party, such as the entity’s legal counsel.
- Obtaining legal advice about the consequences of different courses of action.
- Communicating with third parties (e.g., a regulator).
- Withholding the assurance report.
- Withdrawing from the engagement.
- Describing the material inconsistency in the assurance report.

_Engagement Quality Control Review_ (Ref: Para 66)

A49. The engagement quality control review comprises an objective evaluation by a control reviewer of the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report, including:

(a) Discussion of significant matters with the engagement partner;

(b) Review of the subject matter information and the proposed assurance report;

(c) Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached;

(d) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate;

(e) Consideration of the engagement team’s evaluation of the firm’s independence in relation to the engagement;

(f) Consideration of whether appropriate consultation has taken place on matters involving differences of conclusion or other difficult or contentious matters, and the conclusions arising from those consultations; and

(g) Consideration of whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions
reached.

**Forming the Assurance Opinion**

*Description of the Applicable Criteria* (Ref: Para.68)

A50. The description of the applicable criteria advises intended users of the framework on which the subject matter information is based, and is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter information.

A51. A description that the subject matter information is prepared in accordance with particular criteria is appropriate only if the subject matter information complies with all the requirements of those criteria that are effective.

A52. A description of the applicable criteria that contains imprecise qualifying or limiting language (e.g., “the subject matter information is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the subject matter information.

**Preparing the Assurance Report**

*Assurance Report Content* (Ref: Para. 70)

A53. (a) An appropriate title helps to identify the nature of the assurance report, and to distinguish it from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner.

(b) An addressee identifies the party or parties to whom the assurance report is directed. Whenever practical, the assurance report is addressed to all the intended users, but in some cases there may be other intended users.

(c) Identification and description of the subject matter information and, when appropriate, the underlying subject matter includes for example:

- The point in time or period of time to which the evaluation or measurement of the underlying subject matter relates;
- Where applicable, the name of the entity or component of the entity to which the underlying subject matter relates; and
- An explanation of those characteristics of the underlying subject matter or the subject matter information of which the intended users should be aware, and how such characteristics may influence the precision of the evaluation or measurement of the underlying subject matter against the identified criteria, or the persuasiveness of available engagement evidence. For example:
  - The degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.
  - Changes in the underlying subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.

(d) The assurance report identifies the criteria against which the underlying subject matter was evaluated or measured so the intended users can understand the basis for the practitioner's conclusion. The assurance report may include the criteria, or refer to them if they are included in the subject matter information or if they are otherwise available from a readily accessible source. It may be relevant to the circumstances, to disclose:

- The source of the criteria, and whether or not the criteria are embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process, that is, whether they are established criteria in the context of the underlying subject matter (and if they are not, a description of why they are considered suitable);
Measurement methods used when the criteria allow for choice between a number of methods;

Any significant interpretations made in applying the criteria in the engagement circumstances; and

Whether there have been any changes in the measurement methods used.

(e) While in some cases, inherent limitations can be expected to be well understood by readers of an assurance report, in other cases it may be appropriate to make explicit reference in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

(f) In addition to 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, it may be appropriate to state this fact in the assurance report. This provides a caution to readers that the assurance report is restricted to specific users or for specific purposes.

(g) Identifying the responsible party and describing the responsible party's and the practitioner's responsibilities informs the intended users that the responsible party is responsible for the underlying subject matter in the case of a direct assurance reporting engagement, or the subject matter information in the case of an attestation assurance engagement, and that the practitioner's role is to independently express a conclusion about the subject matter information.

(i) The summary will help the intended users understand the nature of the assurance conveyed by the assurance report. 700 and ISRE 2400 provide a guide to the appropriate type of summary.

Where no specific ISAE provides guidance on evidence-gathering procedures for a particular underlying subject matter, the summary might include a more detailed description of the work performed.

Because in a limited assurance engagement an appreciation of the nature, timing, and extent of evidence-gathering procedures performed is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, the summary of the work performed is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of evidence-gathering procedures. It may be appropriate to indicate procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement.

(j) Where the subject matter information is made up of a number of aspects, separate conclusions may be provided on each aspect. While not all such conclusions need to relate to the same level of evidence-gathering procedures, each conclusion is expressed in the form that is appropriate to either a reasonable-assurance or a limited assurance engagement.

Where appropriate, the conclusion is required to inform the intended users of the context in which the practitioner's conclusion is to be read. The practitioner's conclusion may, for example, include wording such as: “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, for example, when the report includes an explanation of particular characteristics of the underlying subject

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24 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 legal responsibility is owed by the practitioner in relation to that reader or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction.

25 Refer to paragraph 10 of the Framework for an explanation of the distinction between a direct assurance engagement and an attestation assurance engagement.
matter of which the intended users should be aware.

An example of a conclusion expressed in the positive form is: “In our opinion internal control is effective, in all material respects, based on XYZ criteria” or “In our opinion the responsible party’s statement that internal control is effective, in all material respects, based on XYZ criteria, is fairly stated.”

An example of a conclusion expressed in the negative form is: “Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria” or “Based on our work described in this report, nothing has come to our attention that causes us to believe that the responsible party’s statement that internal control is effective, in all material respects, based on XYZ criteria, is not fairly stated.”

(k) Including the assurance report date informs the intended users that the practitioner has considered the effect on the subject matter information and on the assurance report of events that occurred up to that date.

(l) Including the name of the firm or the practitioner and a specific location informs the intended users of the individual or firm assuming responsibility for the engagement.

Form of Assurance Report (Ref: Para. 72)

A53. Oral and other forms of expressing conclusions can be misunderstood without the support of a written report. For this reason, the practitioner does not report orally or by use of symbols without also providing a definitive written assurance report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written assurance report on the Internet.

A54. This ISAE does not require a standardized format for reporting on all assurance engagements. Instead it identifies the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices, for example the bolding of text, and other mechanisms to enhance the clarity and readability of the assurance report.

A55. The practitioner may choose a “short form” or “long form” style of reporting to facilitate effective communication to the intended users. “Short-form” reports ordinarily include only the basic elements. “Long-form” reports include other information and explanations that are not intended to affect the practitioner's conclusion. As well as the basic elements, long-form reports may describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, and, in some cases, recommendations. Whether to include any such information depends on its significance to the information needs of the intended users. As required by paragraph 72, additional information is clearly separated from the practitioner's conclusion and worded in such a manner so as not to affect that conclusion.

Documentation (Ref: Para. 77-78)

A56. Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of judgment, and related conclusions. The existence of difficult questions of principle or judgment, calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

A57. It is neither necessary nor practical to document every matter the practitioner considers. In applying professional judgment to assessing the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken (but not the detailed aspects of the engagement) to another practitioner who has no previous experience with the engagement. That other practitioner may only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the practitioner who prepared the documentation.
A58. Documentation ordinarily includes a record of:
   (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.
   (d) Discussions of significant matters with the responsible party and others, including the
       nature of the significant matters discussed and when and with whom the discussions
       took place.

Quality Control
A59. 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.

Assembly of the Final Engagement File
A60. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish
      policies and procedures for the timely completion of the assembly of engagement files. An
      appropriate time limit within which to complete the assembly of the final engagement file is
      ordinarily not more than 60 days after the date of the assurance report.
A61. After the assembly of the final engagement file has been completed, engagement
      documentation of any nature is not deleted or discarded before the end of its retention period.
A62. If 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, regardless of the nature of the modifications or additions, the documentation
      includes:
      (a) The specific reasons for making the modifications or additions; and
      (b) When and by whom they were made and reviewed.