Introduction

1. The purpose of this International Standard on Assurance Engagements (ISAE) is to establish basic principles and essential procedures for, and to provide guidance to, deals with assurance engagements other than reasonable assurance engagements and limited assurance engagements of historical financial information performed by professional accountants in public practice (for purposes of this ISAE referred to as “practitioners”).

2. For the performance of assurance engagements other than audits or reviews 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.

2. This ISAE uses the terms “reasonable assurance engagement” and “limited assurance engagement” to distinguish between the two types of assurance engagement a practitioner is permitted to perform.
Relationship with other Pronouncements the Framework, Other ISAEs, ISAs and ISREs

34. 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 audits or reviews of historical financial information covered by ISAs or ISREs. Other ISAEs may relate to topics that apply to all subject matters or be 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

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

Overall Objectives of the Practitioner

6. # Adapted from the objectives of ISA 200 and ISA 700# In conducting an assurance engagement, the overall objectives of the practitioner are:

(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.

7. #ISA 200.12* In all cases when reasonable assurance cannot be obtained and a qualified opinion conclusion in the auditor’s practitioner’s assurance report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the ISAEs require that the auditor practitioner disclaim an opinion 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 Framework, paragraph 7# Assurance engagement – an engagement in which a practitioner obtains sufficient appropriate engagement evidence in order to expresses 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 Framework, paragraph 48# Assurance engagement risk – The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated.
(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) *ISA 600* Component practitioner – An auditor practitioner who, at the request of the group engagement team, performs work on related to a component for the group audit.

(e) #Framework para 34# Criteria – the benchmarks used to evaluate or measure the underlying subject matter including, where relevant, benchmarks 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) # ISAE 3000 footnote 1 # 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 responsible parties to the engagement and its environment, and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.

(h) *ISA 200* Audit evident – Information used by the auditor practitioner in arriving at the conclusions on which the auditor’s opinion practitioner’s conclusion is based. Audit evident includes both information contained in relevant information systems, if any, the accounting records underlying the financial statements and other information. For purposes of the ISAEs:

(i) Sufficiency of audit evident is the measure of the quantity of audit evident. The quantity of the audit evident needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evident.

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

(i) *GHG* 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.5

(j) *GHG* 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.

5 “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents where relevant.

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 refer 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.
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.

Inconsistency – Other information that contradicts information contained in 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.

Intended users – the person, persons, or class of person–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.

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 of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than 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.

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

Misstatement – A difference between an aspect of the subject matter information as presented and amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to properly present the outcome of the measurement or evaluation of the subject matter against to be in accordance with the applicable criteria, financial reporting framework. Misstatements include omissions, can arise from error or fraud. (Ref. Para A1-A3)

When the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor’s judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.

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.

Other information – Financial and non-financial 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.

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.

Practitioner’s expert – An individual or organization possessing expertise in a field other than accounting or auditing 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) *GHG* Professional accountant⁶ – An individual who is a member of an IFAC member body.

(w) *GHG* Professional accountant in public practice⁷ – 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) *ISA 200* Professional judgment – The application of relevant training, knowledge and experience, within the context provided by auditing, assurance, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

(y) *ISA 200* Professional skepticism – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of engagement evidence. An attitude of professional skepticism means the practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.

(z) # from ISAE 3000.02 # Reasonable assurance engagement – An assurance engagement in which the objective of a reasonable assurance engagement is to obtain sufficient appropriate engagement evidence to a reduction in 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) *Framework para 25* Responsible party – the person or persons-party who:

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

(ii) In an assertions-based 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. (engaging party.)

(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.

(cc) 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.

⁶ As defined in the IFAC Code.
⁷ As defined in the IFAC Code.
⁸ Engagement circumstances [THE REST OF THIS FOOTNOTE IS NOW INCLUDED AS A DEFINITION OF ENGAGEMENT CIRCUMSTANCES]
Requirements

Conduct of an Assurance Engagement in Accordance with ISAEs

Relationship with the Framework, Other ISAEs, ISAs and ISREs

Complying with ISAEs Relevant to the Engagement

3. The practitioner should comply with this ISAE and other relevant ISAEs when performing an assurance engagement other than an audit or review of historical financial information covered by ISAs or ISREs.

9. The practitioner shall comply with ISAE 3000 and all subject matter-specific ISAEs relevant to the engagement. An 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 in the practitioner’s assurance report 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. To achieve the overall objectives of the auditor, the practitioner shall use the objectives stated in relevant ISAEs in planning and performing the audit, having regard to the interrelationships among the ISAEs, to:

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

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

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 prevents the auditor from achieving the overall objectives of the auditor and thereby requires the
practitioner, in accordance with the ISAs, 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, ISA 230.

**Competency, Quality Control, Level of Involvement, and Ethical Requirements**

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

6. **The practitioner shall implement quality control procedures that are applicable to the individual engagement.**

9. **The practitioner shall accept (or continue where applicable) an assurance engagement only if the practitioner is satisfied that those persons who are to perform the engagement collectively possess the necessary professional competencies.**

16. The engagement partner shall:

   (a) *GHG.12* 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) *GHG.12* Have sufficient skills, knowledge and experience with respect to the subject matter to accept responsibility for the assurance conclusion. (Ref: Para. A8-A9)

17. *GHG.13* 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 an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter information to be materially misstated.\(^\text{11}\)

**Professional Judgment**

19. The auditor practitioner shall exercise professional judgment in planning and performing an audit of financial statements assurance engagement.\(^\text{12}\)

**Management and Those Charged with Governance**

20. **ISAE 3402.12** Where this ISAE requires the practitioner to inquire of, request representations from, communicate with, or otherwise interact with the service organization a party to the engagement, the practitioner shall determine the appropriate person(s) within the party’s service organization’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)

**Engagement Acceptance and Continuance**

21. **the objective of ISA 210** The objective of the auditor is for practitioner shall accept or continue an audit assurance engagement only when the basis upon which it is to be performed has been agreed, through:

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\(^{10}\) This ISAE is also applicable to all professional accountants in the public sector who are independent of the entity for which they perform assurance engagements.

\(^{11}\) Further detail regarding the application of professional skepticism in an assurance engagement is included in paragraphs x-y of the Assurance Framework. TASK FORCE DRAFTING NOTE: Paragraphs 40-41 of extant ISAE 3000 and ISA 200.A18-A22, adapted, are being included to the Assurance Framework.

\(^{12}\) Further detail regarding the application of professional skepticism in an assurance engagement is included in paragraphs y-z of the Assurance Framework. TASK FORCE DRAFTING NOTE: ISA 200.A23-A27, adapted, are being included to the Assurance Framework.
(a) Establishing whether the preconditions for an audit-assurance engagement are present; and

(b) Confirming that there is a common understanding between the auditor-practitioner and management and, where appropriate, those charged with governance, the engaging party, of the terms of the audit engagement, including the practitioner’s reporting responsibilities.

(c) [GHG.17] The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed, and shall determined that conclusions reached in this regard are appropriate (see paragraph 25).

Agreeing on the Terms of the Engagement

4022. The practitioner shall agree on the terms of the engagement with the engaging party. To avoid misunderstandings, the agreed terms of the engagement are shall be recorded in an engagement letter or other suitable form of contract. (Ref: Para. A16)

Preconditions for the Engagement

723. In order to establish whether the preconditions for an assurance engagement are present, the practitioner shall determine whether: accept (or continue where applicable) an assurance engagement only if

(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)

18. The practitioner shall assess the appropriateness of the subject matter. As indicated in paragraph 17 of the Framework, a practitioner does not accept an assurance engagement unless the practitioner's preliminary knowledge of the engagement circumstances indicates that the subject matter is appropriate. After accepting the engagement, however, if the practitioner concludes that the subject matter is not appropriate, the practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion. In some cases the practitioner considers withdrawing from the engagement.

(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)

19. The practitioner shall assess the suitability of the criteria to evaluate or measure the subject matter. Suitable criteria have the characteristics listed in paragraph 36 of the Framework. As indicated in paragraph 17 of the Framework, a practitioner does not accept an assurance engagement unless the practitioner’s preliminary knowledge of the engagement circumstances indicates that the criteria to be used are suitable. After accepting the engagement, however, if the practitioner concludes that the criteria are not suitable, the practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion. In some cases the practitioner considers withdrawing from the engagement.

(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.

8. The practitioner considers the matters in paragraph 17 of the Framework and does not accept the engagement unless it exhibits all the characteristics required in that paragraph. Also, if the party engaging the practitioner (the “engaging party”) is not the responsible party, the practitioner
24. *GHG.16* 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). The practitioner shall only accept the proposed engagement if:

(a) The practitioner has determined that the criteria to be applied in the preparation of the subject matter information are acceptable; and

(b) The practitioner will have access to sufficient appropriate evidence to support the practitioner’s conclusion.

**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:

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

(a) *GHG.12* 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) *GHG.12* 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)

8. The practitioner shall accept (or continue where applicable) an assurance engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the practitioner to indicate that the requirements of the Code or of the ISAEs will not be satisfied.

(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. *GHG.19* 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)
A practitioner shall consider the appropriateness of a request, made before the completion of an assurance engagement, to change the engagement to a non-assurance engagement or from a reasonable assurance engagement to a limited assurance engagement, and shall not agree to a change without reasonable justification. If such a change is made, the practitioner does not disregard evidence that was obtained prior to the change.

Assurance Report Prescribed by Law or Regulation

27. *GHG.20* 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:

(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).

Leadership Responsibilities for Quality on the Engagements

28. *GHG.21* The engagement partner shall take responsibility for the overall quality of the engagement.

Relevant Ethical Requirements

29. *GHG.22* 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. *GHG.23* 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. *GHG.24* 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.

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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.
Engagement Performance

Direction, Supervision and Performance

32. *GHG.25* 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. *GHG.26* The engagement partner shall take responsibility for reviews being performed in accordance with the firm’s review policies and procedures.

34. *GHG.27* 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. *GHG.28* 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. *GHG.29* 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

1237. The practitioner shall plan the engagement so that it will be performed in an effectively manner. (Ref: Para. A28)

38. *GHG.32* The engagement partner, other key members of the engagement team, and any key practitioner’s external experts, shall be involved in planning the engagement, including planning and participating in the discussion required by paragraph 42.

39. *GHG.33 and 35* The practitioner shall: (Ref: Para. A29)
   (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:
      (a) The nature, timing and extent of planned risk assessment procedures.
(b) The nature, timing and extent of planned further assurance procedures at the assertion level.

(c) Other planned assurance procedures that are required to be carried out so that the engagement complies with ISAEs.

Materiality and Assurance Engagement Risk

2240. The practitioner shall consider materiality and assurance engagement risk when planning and performing an assurance engagement. (Ref: Para. A30)

2241. 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.

Obtaining Engagement Evidence

4245. 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.

4347. 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) The practitioner considers whether the understanding is sufficient to assess the risks that the subject matter information may be materially misstated. The practitioner ordinarily has a lesser depth of understanding than the responsible party.

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

24. The practitioner shall reduce assurance engagement risk to an acceptably low level in the circumstances of the engagement.

33. The practitioner shall obtain sufficient appropriate evidence on which to base the conclusion. The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

3445. When designing and performing evidence gathering procedures, the practitioner shall consider the relevance and reliability of the information to be used as engagement evidence. However, the practitioner considers the reliability of the information to be used as evidence, for example… (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 for the relevant assertion.

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. #GHG.73# 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

Both reasonable assurance and limited assurance engagements, the practitioner shall require the application of assurance skills and techniques and to the gathering of 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.

Sufficient appropriate evidence in a reasonable assurance engagement is obtained as part of an iterative, systematic engagement process involving:

In a reasonable assurance engagement the practitioner shall:

(a) Obtaining an understanding of the underlying subject matter and other engagement circumstances which, depending on when relevant to the subject matter and other engagement circumstances, includes obtaining an understanding of internal control over the preparation of the subject matter information;
(b) Based on that understanding, identify what could be incorrectly evaluated or measured and assessing the risks that the subject matter information may be materially misstated;
(c) Responding 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) Performing those further procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such further procedures shall involve substantive procedures, including obtaining corroborating information from independent sources independent of the entity, and when relevant to the engagement circumstances, depending on the nature of the subject matter, tests of the operating effectiveness of controls over the preparation of the subject matter information; and
(e) Evaluating the sufficiency and appropriateness of engagement evidence.

The nature, timing and extent of procedures for gathering sufficient appropriate engagement evidence in a limited assurance engagement are, however, deliberately shall be limited relative to a reasonable assurance engagement. For some subject matters, there may be specific ISAEs to 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 for gathering sufficient appropriate evidence will vary with 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.

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

3854. The practitioner shall obtain representations from the responsible party, as appropriate. In particular, for an attestation assurance engagement, the practitioner shall request from the responsible party a written representation that about the evaluation or measurements of the underlying subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended user. Having no written representation may result in a qualified conclusion or a disclaimer of conclusion on the basis of a limitation on the scope of the engagement. The practitioner may also include a restriction on the use of the assurance report. In a direct assurance engagement, the practitioner shall request from the responsible party a written representation that accords responsibility for the underlying subject matter.

3955. During an assurance engagement, the responsible party 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’s evaluation or measurement, 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

40. An inability to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation or measurement of the subject matter, when such evidence would ordinarily be available, constitutes a limitation on the scope of the engagement, even if a representation from the responsible party has been received on the matter.

56. #GHG.90# If the entity does not provide 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, having regard to the requirement in paragraph 91 of this ISAE.

Using the Work of an Expert

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

Nature, Timing and Extent of Assurance Procedures

57. #GHG.83# The nature, timing and extent of the practitioner’s procedures with respect to the requirements in paragraphs 84-88 of this ISAE—a practitioner’s expert will vary depending on the engagement circumstances. (Ref: Para. A43)

29. The practitioner adopts quality control procedures that address the responsibility of each person performing the assurance engagement, including the work of any experts who are not professional accountants, to ensure compliance with this ISAE and other relevant ISAEs in the context of their responsibilities.
The Competence, Capabilities and Objectivity of the Practitioner’s Expert

58. #GHG.84# 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.

2859. 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

31. The practitioner is not expected to possess the same specialized knowledge and skills as the expert. The practitioner has however, sufficient skill and knowledge to:

(a) Define the objectives of the assigned work and how this work relates to the objective of the engagement;
(b) Consider the reasonableness of the assumptions, methods and source data used by the expert; and
(c) Consider the reasonableness of the expert’s findings in relation to the engagement circumstances and the practitioner’s conclusion.

60. #GHG.85# 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. #GHG.86# 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

32. The practitioner shall obtain sufficient appropriate evidence that the expert’s work is adequate for the purposes of the assurance engagement. In assessing the sufficiency and appropriateness of the evidence provided by the expert, the practitioner shall evaluate:

(a) The professional competence, including experience, and objectivity of the expert;
(b) The reasonableness of the assumptions, methods and source data used by the expert; and
(c) The reasonableness and significance of the expert’s findings in relation to the circumstances of the engagement and the practitioner’s conclusion.

62. #GHG.87# The practitioner shall evaluate the adequacy of the practitioner’s expert’s work for the practitioner’s purposes; (Ref: Para. A46)
63. #GHG.88# 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

4464. The practitioner shall consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. *(Ref: Para A47)*

Other Information

65. *GHG.93* 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:

   (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 any further action as appropriate.

Engagement Quality Control Review

66. *GHG.103* 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:

   (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

4567. 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 developing 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. *GHG.107* 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

4669. 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**

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.\(^{15}\)

(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 assertion, 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.

(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's or, where there is a subject matter specific ISAE, that ISAE may require that the assurance report refer specifically to it.

(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.
- States 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.

\(^{15}\) See footnote 20 paragraph A5.
Reference to the Practitioner’s Expert in the Assurance Report

71. *GHG.112* 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

4872. Any findings, and 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 in presenting them shall make it clear they are not intended to affect the practitioner's conclusion. (Ref: Para. A53-A55)

Qualified Conclusions, Adverse Conclusions and Disclaimers of Conclusion

$473. 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 the responsible party or the engaging party imposes a restriction that prevents, the practitioner from obtaining 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's assertion, 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.

$274. 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.

$375. In those cases where the practitioner's unqualified conclusion would be worded in terms of a statement made by the responsible party's assertion, 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 directly 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's assertion, expresses an unqualified conclusion but emphasizes the matter by specifically referring to it in the assurance report.

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16 In those direct reporting 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).
Other Reporting Communication Responsibilities

54. The practitioner shall consider other reporting communication responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the assurance engagement with management or those charged with governance of a party to the engagement or others.

55. In this ISAE, “governance” describes the role of persons entrusted with the supervision, control and direction of a responsible party. Those charged with governance ordinarily are accountable for ensuring that an entity achieves its objectives and for reporting to interested parties. If the engaging party is different from the responsible party it may not be appropriate to communicate directly with the responsible party or those charged with governance over the responsible party.

56. In this ISAE, “relevant matters of governance interest” are those that arise from the assurance engagement and, in the practitioner's opinion, are both important and relevant to those charged with governance. Relevant matters of governance interest include only those matters that have come to the attention of the practitioner while performing the assurance engagement. If the terms of the engagement do not specifically require it, the practitioner is not required to design procedures for the specific purpose of identifying matters of governance interest.

Documentation

42. The practitioner shall document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with ISAEs.

Documentation of the Assurance Procedures Performed and Engagement Evidence Obtained

77. *GHG.94* The practitioner shall prepare on a timely basis engagement documentation that is 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)

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

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

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

(b) Evidence the engagement was planned and performed in accordance with ISAEs and applicable legal, regulatory and quality control requirements. (Ref: Para. A98)

78. *GHG.97* If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant matter, the practitioner shall document how the practitioner addressed the inconsistency. (Ref: Para. A56-A62)

Application and Other Explanatory Material

Definitions

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

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

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17 In many countries, principles of governance have been developed as a point of reference for establishing good governance behavior. Such principles often focus on publicly traded companies; they may, however, also serve to improve governance in other forms of entities. There is no single model of good governance. Governance structures and practices vary from country to country.
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. *GHG.A4* This ISAE 3000 includes a number of requirements that apply to all assurance engagements, including engagements in accordance with this a subject matter-specific ISAE. In some cases, a subject matter-specific ISAE may include additional requirements or explanatory application material in relation to those 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.

Quality Control

6. Under International Standard on Quality Control ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,” a firm of professional accountants has an obligation to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that the assurance reports issued by the firm or engagement partners are appropriate in the circumstances. In addition, elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring.

Competency, Quality Control, and Ethical Requirements

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

A6. *GHG.A5* 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 procedures and communicates them to the firm’s personnel.

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18 ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,” was issued in February 2004. Systems of quality control in compliance with ISQC 1 are required to be established by June 15, 2005.

19 International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements,” paragraph 4.

20 ISQC 1, paragraphs 16 and 17.
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. *GHG.A6* 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. *GHG.A7* 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 evidence.

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

5. The Code provides a framework of principles that members of assurance teams, firms and network firms use to identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to eliminate the threats or reduce them to an acceptable level, such that independence of mind and independence in appearance are not compromised.

21 International Education Standard (IES) 8, “Competence Requirements for Audit Professionals.”
22 The IFAC Code, paragraph 210.6.
23 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.
A10. #200.A14# The auditor practitioner is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit 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 an audit of financial statements assurance engagements together with national requirements that are more restrictive.

A11. #200.A15# Part A of the IFAC Code establishes the fundamental principles of professional ethics relevant to the auditor practitioner when conducting an audit of financial statements assurance engagement and provides a conceptual framework for applying those principles. The fundamental principles with which the auditor 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. #200.A16# In the case of an audit assurance engagement it is in the public interest and, therefore, required by the IFAC Code, that, amongst other things, the auditor be independent of the entity subject to the audit.

(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. The auditor’s independence from the entity safeguards the auditor’s ability to form an audit opinion assurance conclusion without being affected by influences that might compromise that opinion conclusion. Independence enhances the auditor’s ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.

#GHG.A15# The IFAC Code adopts a threats and safeguards approach to independence. Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- Self-interest, for example, undue dependence on total fees from the responsible party or the engaging party.
- Self-review, for example, performing another service that directly affects the evaluation/measurement of subject matter.
- Advocacy, for example, acting as an advocate on behalf of the responsible party or the engaging party with respect to the interpretation of the applicable criteria.
- Familiarity, for example, a member of the engagement team having a long association, or close or immediate family relationship, with an employee of the responsible party who is in a position to exert direct and significant influence over the preparation of the subject matter information.
- Intimidation, for example, being pressured to reduce inappropriately the extent of work performed in order to lower fees.

#GHG.A16# Safeguards created by the profession, legislation or regulation, or safeguards in the work environment, may eliminate or reduce such threats to an acceptable level.


A14. #200.A17# International Standard on Quality Control (ISQC) 1, 24 or national requirements that are at least as demanding, 25 deal with the firm’s responsibilities to establish and maintain its system of quality control for audit 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. 26 ISA 220 Paragraphs 20 and 21 of this ISAE sets out the engagement partner’s responsibilities with respect to relevant ethical requirements. These include remaining alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team, determining the appropriate action if matters come to the engagement partner’s attention that indicate that members of the engagement team have not complied with relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement. 27 ISA 220 recognizes that 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 audit assurance engagement, unless information provided by the firm or other parties suggests otherwise.

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

A15. #ISAE 3402.A6# 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. For example, the service organization may be a segment of a third-party organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance from whom to request written representations may require the exercise of professional judgment.

Engagement Acceptance and Continuance

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

A1640. 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 nature and content of an engagement letter or contract may vary. The 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. As indicated in paragraph 27 of the Framework, 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 consider:

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

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24 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.”


26 ISQC 1, paragraphs 20-25.

27 ISA 220, paragraphs 9-12.
(b) If the engagement is accepted, whether to disclose these circumstances in the assurance report.

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

A18. An appropriate subject matter is: has the characteristics listed in paragraph 33 of the Framework.

(a) [Framework paragraph 33] Identifiable, and capable of consistent evaluation or measurement against the identified criteria; and

(b) [Framework paragraph 33] 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.

The practitioner also identifies 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.

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

A19. Suitable criteria have the following characteristics: relevance, completeness, reliability, neutrality, and understandability, listed in paragraph 36 of the Framework.

A20. Paragraph 37 of the Framework indicates that criteria can either be established or specifically developed. Ordinary, 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.

A21. For some subject matters, it is likely that no established criteria exist. In those cases, criteria are specifically developed. The practitioner considers whether specifically developed criteria should not result in an assurance report that is misleading to the intended users. The practitioner attempts to have 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 practitioner considers how 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.

Access to Records (Ref: Para. 23(b)(iii))

A21. The practitioner considers the matters in paragraph 17 of the Framework and does not accept the engagement unless it exhibits all the characteristics required in that paragraph. Also, if the party engaging the practitioner (the “engaging party”) is not the responsible party, the practitioner considers the this may affect of this on access to records, documentation and other information the practitioner may require as engagement evidence to complete the engagement.

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Refer to paragraph 36 and 37 of the Framework for further explanation.
Engagement acceptance and continuance procedures relevant to the team

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

**A22.** *GHG.A10* 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. 29

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

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

**A23.** *GHG.A11* Other than when the engagement is straightforward (see paragraph A8), some of the assurance work will often need to 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 following matters mentioned in paragraph 51.

**A24.** *GHG.A12* 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.

28. Due care is a required professional quality for all individuals, including experts, involved in an assurance engagement. Persons involved in assurance engagements will have different responsibilities assigned to them. The extent of proficiency required in performing those engagements will vary with the nature of their responsibilities.

**A25.** *GHG.A13* 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.

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29 ISQC 1, paragraph 26.
• Agreement with the practitioner’s expert.

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

Component Practitioners (Ref: Para. 25(b)(ii))

A26. *GHG.10* 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 entity responsible party and the practitioner’s previous experience with it. Examples of the main matters to be considered include:

• *GHG.34(a)* The characteristics of the engagement that define its scope, including the terms of the engagement and the.

• The characteristics of the underlying subject matter and the identified criteria.

• *GHG.34(b)* The reporting objectives of the engagement and the expected timing and the nature of the communications required;

• *GHG.34(d)* 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 entity parties to the engagement and its 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.

• *GHG.34(e)* 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.

• *GHG.34(f)* 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 and Assurance Engagement Risk (Ref: Para. 40)

23A30. 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 interests and 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.

24. [NOTE: THIS PARA IS IDENTICAL TO PARA 48 OF THE FRAMEWORK.] In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the practitioner's conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures. However, in a limited assurance engagement, the combination of the nature, timing, and extent of evidence-gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression. To be meaningful, the level of assurance obtained is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.

25. Paragraph 49 of the Framework indicates that, in general, assurance engagement risk comprises inherent risk, control risk and detection risk. The degree to which the practitioner considers each of these components is affected by the engagement circumstances, in particular the nature of the subject matter and whether a reasonable assurance or a limited assurance engagement is being performed.

Obtaining Engagement Evidence

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

A3146. Obtaining an understanding of the underlying subject matter and other engagement circumstances is an essential part of planning and performing an assurance engagement. That understanding 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;
• *GHG.34(c)* Considering the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts, including identifying where special consideration may be necessary; for example, factors indicative of fraud, and 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.
A3247. The practitioner ordinarily has a lesser depth of understanding than the responsible party.

33. Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability.[REPLACED BY THE MORE COMPREHENSIVE EXTRACT FROM ISA 200 BELOW]

34. An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. [PREVIOUS SENTENCE IS REPLACED BY THE MORE COMPREHENSIVE EXTRACT FROM ISA 200, IN SECTION ON SKEPTICISM NOW IN THE FRAMEWORK] However, the practitioner considers the reliability of the information to be used as evidence, for example photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.[NOTE the examples in the preceding sentence are in the framework, so have been deleted here.]

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

A33. #200.A28# Audit engagement evidence is necessary to support the auditor’s opinion—practitioner’s conclusion and assurance report. It is cumulative in nature and is primarily obtained from audit evidence-gathering procedures performed during the course of the audit engagement. It may, however, also include information obtained from other sources such as previous audit engagements (provided the auditor practitioner has determined whether changes have occurred since the previous audit engagement that may affect its relevance to the current audit engagement”) or a firm’s quality control procedures for client acceptance and continuance. Engagement evidence may come from in addition to other sources inside and outside the responsible party/entity, the entity’s accounting records are an important source of audit evidence. Also, information that may be used as audit engagement evidence may have been prepared by an expert employed or engaged by the responsible party/entity. Audit Engagement evidence comprises both information that supports and corroborates management’s assertions aspects of the subject matter information, and any information that contradicts aspects of the subject matter information such assertions. In addition, in some cases, the absence of information (for example, management’s refusal to provide a requested representation) is used by the auditor practitioner, and therefore, also constitutes audit engagement evidence. Most of the auditor’s-practitioner’s work in forming the auditor’s opinion assurance conclusion consists of obtaining and evaluating audit engagement evidence.

A34. #200.A29# The sufficiency and appropriateness of audit engagement evidence are interrelated. Sufficiency is the measure of the quantity of audit engagement evidence. The quantity of audit engagement evidence needed is affected by the auditor’s-practitioner’s assessment of the risks of misstatement (the higher the assessed risks, the more audit engagement evidence is likely to be required) and also by the quality of such audit engagement evidence (the higher the quality, the less may be required). Obtaining more audit engagement evidence, however, may not compensate for its poor quality.

A35. #200.A30# Appropriateness is the measure of the quality of audit engagement evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion 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. #200.A31# Whether sufficient appropriate audit engagement evidence has been obtained to reduce audit engagement risk to an acceptably low level, and thereby enable the auditor practitioner to draw reasonable conclusions on which to base the auditor’s opinion practitioner’ conclusion, is a matter of professional judgment. ISA 500 and other relevant ISAs establish additional requirements and provide further guidance applicable throughout the audit engagement regarding the auditor’s–practitioner’s considerations in obtaining sufficient appropriate audit engagement evidence.

Engagement Audit-Risk

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

36. [THIS PARAGRAPH IS ALREADY IN THE ASSURANCE FRAMEWORK. IT IS BEING SUPPLEMENTED BY ISA 200, A45-A52, ADAPTED] “Reasonable assurance” is less than absolute assurance. Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial as a result of factors such as the following:

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

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

A38. The risks of material misstatement may increase if, in-the-party preparing the subject matter information, the entity 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 entity responsible party will always be present, an expert employed by the entity-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 entity responsible party, it may be relevant to discuss with the entity-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:
• #GHG.89(a)# 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;

• #GHG.89(b)# 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;

• #GHG.89(c)# 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;

• #GHG.89(d)# That significant assumptions used in making any material estimates are reasonable;

• #GHG.89(e)# 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.

40A43. Representations by the responsible party cannot replace other engagement evidence the practitioner could reasonably expect to be available.

Using the Work of an Expert

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

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

A43. #GHG.83# The following matters are ordinarily relevant when in determining the nature, timing and extent of those procedures with respect to a practitioner’s expert, the practitioner shall consider matters including:

(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. #GHG.A78# 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 included in the GHG statement, that is, if the practitioner’s expert is a management’s expert.

A45. #GHG.A79# 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:
  o Financial interests.
  o Business and personal relationships.
  o 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. *GHG.87* The following matters are ordinarily relevant when evaluating the adequacy of the practitioner’s expert’s work for the practitioner’s purposes, including:

- The relevance and reasonableness of that expert’s findings or conclusions, and their consistency with other engagement evidence;
- 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
- 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. *GHG.82* 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. *GHG.104* The engagement quality control reviewer shall perform 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.

- Discussion of significant matters with the engagement partner;
- Review of the subject matter information and the proposed assurance report;
- Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached;
- Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate;
- 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.** *GHGA85* The preparation of the GHG statement by the entity requires the inclusion of an adequate description of the applicable criteria in the explanatory notes. That description 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 are treated in the subject matter information—e.g., emissions deductions are included, if any, how they have been quantified and what they represent, and the basis for selecting which Scope 3 emissions are included, and how they have been quantified.

**A51.** *GHGA86* 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 during the period covered by the GHG statement.

**A52.** *GHGA87* 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)*

**49A53.**

(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 information** 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.
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 contained in an assertion prepared by the responsible party that is available to the intended users, included in the subject matter information or if they are otherwise available from a readily accessible source. The practitioner considers whether it is 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.

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.

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, the practitioner considers 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.

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.

The summary will help the intended users understand the nature of the assurance conveyed by the assurance report. ISA 700, “The Auditor's Report on Financial Statements” and ISRE 2400, “Engagements to Review Financial Statements” 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 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 matter of which the intended users should be aware.

For 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 assertion that internal control is effective, in all material respects, based on XYZ criteria, is fairly stated.”

For 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 assertion that internal control is effective, in all material respects, based on XYZ criteria, is not fairly stated.”

(k) Including the assurance report date this 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 this informs the intended users of the individual or firm assuming responsibility for the engagement.

**Form of Assurance Report (Ref: Para. 72)**

47A53. 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.

48A54. This ISAE does not require a standardized format for reporting on all assurance engagements. Instead it identifies in paragraph 49 the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner chooses 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 often describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement and, in some cases, recommendations, as well as the basic elements. 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.

50A55. 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 The practitioner may expand the assurance report to include other information and explanations that are not intended to affect the practitioner's conclusion. Examples include: 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, findings relating to particular aspects of the engagement, 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, A 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)

43A56. 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.

44A57. 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. *GHG.95* Documentation ordinarily includes a record of: the nature, timing and extent of assurance procedures performed, the practitioner shall record:

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

(d) *GHG.96* The practitioner shall document discussions of significant matters with the entity responsible party and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

Quality Control

A59. *GHG.98* The practitioner shall include in the engagement documentation:

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

Matters Arising after the Date of the Assurance Report

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

(a) The circumstances encountered;
(b) The new or additional assurance procedures performed, engagement evidence obtained, and conclusions reached, and their effect on the assurance report; and
(c) When and by whom the resulting changes to engagement documentation were made and reviewed.
Assembly of the Final Engagement File (Ref: Para. 100)

A60. *GHG.84* 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.

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A61. *GHG.100* The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report.

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A62. *GHG.101*—After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature is not deleted or discarded before the end of its retention period.

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A62. *GHG.102*—In circumstances other than those envisaged in paragraph 56 where the practitioner finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the practitioner shall, regardless of the nature of the modifications or additions, the documentation includes:

(a) The specific reasons for making the modifications or additions; and

(b) When and by whom they were made and reviewed.

Public Sector Perspective

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{NOTE 1}