INTRODUCTION

This Framework is issued by the IAASB solely to facilitate understanding of, defines and describes the elements and objectives of an assurance engagement in general, and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply. This Framework is intended to be descriptive, rather than prescriptive. It provides a frame of reference for:

(a) Professional accountants in public practice ("Practitioners") when performing assurance engagements. Professional accountants in the public sector refer to the Public Sector Perspective at the end of the Framework. Professional accountants who are neither in public practice nor in the public sector are encouraged to;

(b) Others involved with assurance engagements, including the intended users of an assurance report and those engaging a practitioner (the “engaging party”); the responsible party; and

(c) The International Auditing and Assurance Standards Board (IAASB) in its development of ISAs, ISREs and ISAEs (hereinafter referred to as Assurance Standards) and related documents.

This Framework is not a Standard and, accordingly, does not itself establish any basic principles or essential procedures, or contain any standards or provide procedural requirements for the performance of audits, reviews, or other assurance engagements. An assurance report cannot, therefore, claim that an engagement has been conducted in accordance with this Framework, but rather should refer to relevant Assurance Standards. ISAs, ISREs and ISAEs/Assurance Standards contain basic principles, essential procedures, objectives, requirements, application and other explanatory material, introductory material and definitions that are and related guidance, consistent with the concepts in this Framework, and are to be applied in audit, review, and other assurance engagements.\(^1\) (See also Appendix 1) for the performance of assurance engagements. The relationship between the Framework and the ISAs, ISREs and ISAEs is illustrated in the “Structure of Pronouncements Issued by the IAASB” section of the Handbook of International Auditing, Assurance, and Ethics Pronouncements.

The following is an overview of this Framework:

- **Introduction:** This Framework deals with assurance engagements performed by practitioners. It provides a frame of reference for practitioners and others involved with assurance engagements, such as those engaging a practitioner (the “engaging party”).

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\(^1\) See the Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services
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- **Definition and objective** of an assurance engagement: This section defines assurance engagements and identifies the objectives of the two types of assurance engagement a practitioner is permitted to perform. This Framework calls these two types direct engagements and reasonable assurance engagements and from limited assurance engagements.\(^2\)

- **Scope of the Framework**: This section distinguishes assurance engagements from other engagements, such as consulting engagements.

- **Preconditions for an Assurance Engagement**: This section sets out preconditions for a practitioner to accept an assurance engagement.

- **Elements of an assurance engagement**: This section identifies and discusses five elements assurance engagements performed by practitioners exhibit: a three party relationship, an underlying subject matter, criteria, evidence and an assurance report. It further explains important distinctions between reasonable assurance engagements and limited assurance engagements (also outlined in the Appendix 3). This section also discusses, for example, the significant variation in the underlying subject matters of assurance engagements, the required characteristics of suitable criteria, the role of risk and materiality in assurance engagements, and how conclusions are expressed in each of the two types of reasonable assurance engagements and in limited assurance engagement.

- **Inappropriate use of the practitioner’s name**: This section discusses implications of a practitioner’s association with an underlying subject matter or with subject matter information.

### Ethical Principles and Quality Control Standards

**4.** Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being an integral part of high quality assurance engagements that are in the public interest. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that: In addition to this Framework and ISAs, ISREs and ISAEs, practitioners who perform assurance engagements are governed by:

(a) The members of the engagement team and the engagement quality control reviewer, if applicable, are subject to Parts A and B of the IFAC Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code), or other professional requirements, or requirements in laws or regulations, that are at least demanding as Parts A and B of the IESBA Code which establishes fundamental ethical principles for professional accountants; and

(b) The firm of which the practitioner performing the engagement is a member is subject to International Standards on Quality Control 1(ISQCs 1), or other

\(^2\) For assurance engagements regarding historical financial information in particular, reasonable assurance engagements are called audits, and limited assurance engagements are called reviews.
professional requirements, or requirements in laws or regulations, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as ISQC 1, which establish standards and provide guidance on a firm’s system of quality control.  

**The IESBA Code**

5. Part A of the IESBA Code sets out the following fundamental ethical principles with which the practitioner is required to comply that all professional accountants are required to observe, including:

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

6. Part B of the Code, which applies only to professional accountants in public practice (“practitioners”), includes a conceptual approach to independence that takes into account, for each assurance engagement, threats to independence, accepted safeguards and the public interest. It requires firms and members of assurance teams to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or to reduce them to an acceptable level by the application of safeguards.

**ISQC 1**

7. ISQC 1 deals with the firm’s responsibilities to establish and maintain its system of quality control for assurance 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:

(a) Leadership responsibilities for quality within the firm;
(b) Relevant ethical requirements;
(c) Acceptance and continuance of client relationships and specific engagements;
(d) Human resources;
(e) Engagement performance; and
(f) Monitoring.

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3 “Firm” should be read as referring to the public sector equivalent where relevant.
4 Additional standards and guidance requirements on quality control procedures for specific types of assurance engagement are set out in ISAs, ISREs and ISAEs.
Definition and Objective of an Description of Assurance Engagements

78. “An assurance engagement” means is an engagement in which a practitioner obtains sufficient appropriate 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 measurement or evaluation or measurement of an underlying subject matter against criteria.

89. The outcome of the measurement or evaluation or measurement of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter. For example:

- The recognition, measurement, preparation and presentation and disclosure represented in the of financial statements (outcome) result from measuring an entity’s financial position, financial performance and cash flows (underlying subject matter) by applying a financial reporting framework for recognition, measurement, presentation and disclosure, such as International Financial Reporting Standards, (criteria). to an entity’s financial position, financial performance and cash flows (subject matter).

- An assertion statement about the effectiveness of internal control (outcome) results from evaluating the effectiveness of an entity’s internal control process (underlying subject matter) by applying a framework for evaluating the effectiveness of internal control—criteria such as those described in ISAE 3402, COSO or CoCo, (criteria) to internal control, a process (subject matter).

- Entity-specific Key Performance Indicators (outcome) result from measuring various aspects of performance (underlying subject matter) by applying relevant measurement methodologies (criteria).

- A greenhouse gas statement (outcome) result from measuring an entity’s greenhouse emissions (underlying subject matter) by applying recognition, measurement and presentation protocols (criteria).

- A statement about compliance (outcome) results from evaluating the compliance of an entity (underlying subject matter) with, for example, laws and regulations (criteria).

In the remainder of this Framework, the term “subject matter information” will be used to mean the outcome of the measurement or evaluation or measurement of an underlying subject matter. It is the subject matter information about which the practitioner gathers sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in an assurance report.

9.[THIS PARA MOVED TO IN FRONT OF OLD PARA 48]

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5. ISAE 3402, Assurance Reports on Controls at a Service Organization.
Attestation Engagements and Direct Engagements

10. In an attestation engagement, a measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.

11. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information, which the practitioner presents as part of, or accompanying, the assurance report. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also applies assurance skills and techniques to obtain sufficient appropriate evidence about the outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria. The practitioner often obtains that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation. (See also Appendix 2.)

Reasonable Assurance Engagements and Limited Assurance Engagements

112. Under this Framework, there are two types of assurance engagement a practitioner is permitted to—or a limited assurance engagement. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion. The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement. This is achieved by performing a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is meaningful to the intended users. The assurance report communicates the limited nature of the assurance obtained and expresses the conclusion in a form that conveys the fact that, based on the procedures performed, nothing has come to the practitioner’s attention to cause the practitioner to believe the subject matter information is materially misstated as the basis for a negative form of expression of the practitioner’s conclusion. (See also Appendix 3.)

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Engagement circumstances refers to the broad context defining the particular engagement, which includes 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 applicable measurement or evaluation criteria to be used, the information needs of the intended users, relevant characteristics of the responsible parties to the engagement and their environment, and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.
Scope of the Framework

Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that are not consistent with the description in paragraph 8 above do not meet the above definition (and therefore are not covered by this Framework) include:

- Engagements covered by International Standards for Related Services, such as agreed-upon procedures engagements and compilations of financial or other information.  

- The preparation of tax returns where no conclusion conveying assurance is expressed.

- Consulting (or advisory) engagements, such as management and tax consulting.

An assurance engagement may be part of a larger engagement, for example, when a business acquisition consulting engagement includes a requirement to convey assurance regarding historical or prospective financial information. In such circumstances, this Framework is relevant only to the assurance portion of the engagement.

The following engagements, which may meet the definition in paragraph 7 above, need not be performed in accordance with this Framework:

(a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and

(b) Engagements that include professional opinions, views or wording from which a user may derive some assurance, if all of the following apply:

(i) Those opinions, views or wording are merely incidental to the overall engagement;

(ii) Any written report issued is expressly restricted for use by only the intended users specified in the report;

(iii) Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and

Consulting engagements employ a professional accountant’s technical skills, education, observations, experiences, and knowledge of the consulting process. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or “long form”) style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the professional accountant and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.
(iv) The engagement is not represented as an assurance engagement in the professional accountant’s report.

Reports on Non-Assurance Engagements

4516. A practitioner reporting on an engagement that is not an assurance engagement within the scope of this Framework, clearly distinguishes that report from an assurance report. So as not to confuse users, a report that is not an assurance report avoids, for example:

- Implying compliance with this Framework, ISAs, ISREs or ISAEs or Assurance Standards.
- Inappropriately using the words “assurance,” “audit” or “review.”
- Including a statement that could reasonably be mistaken for a conclusion designed to enhance the degree of confidence of intended users about the outcome of the measurement or evaluation or measurement of an underlying subject matter against criteria.

4617. The practitioner and the responsible party may agree to apply the principles of this Framework to an engagement when there are no intended users other than the responsible party but where all other requirements of the ISAs, ISREs or ISAEs Assurance Standards are met. In such cases, the practitioner’s report includes a statement restricting the use of the report to the responsible party.

Engagement Acceptance Preconditions for an Assurance Engagement

4718. A practitioner accepts an assurance engagement only where the practitioner’s preliminary knowledge of the engagement circumstances indicates that the following preconditions for an assurance engagement are relevant when considering whether an assurance engagement is to be accepted or continued:

(a) The roles and responsibilities of the parties to the engagement are appropriate Relevant ethical requirements, such as independence and professional competence will be satisfied; and

(b) The engagement exhibits all of the following characteristics:

(i) The underlying subject matter is appropriate;
(ii) The criteria to be applied in the preparation of the subject matter information are suitable and will be available to the intended users;
(iii) The practitioner will have access to sufficient appropriate evidence needed to support the practitioner’s conclusion;
(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) The practitioner is satisfied that there is a rational purpose for the engagement. If there is a significant limitation on the scope of the practitioner’s work (see paragraph 55), it may be unlikely that the
An engagement has a rational purpose. Also, a practitioner may believe the engaging party intends to associate the practitioner’s name with the subject matter in an inappropriate manner (see paragraph 61).

Specific ISAs, ISREs or ISAEs may include additional requirements that need to be satisfied prior to accepting an engagement.

1819. When a potential engagement cannot be accepted as an assurance engagement because it does not exhibit all the characteristics in the previous paragraph, the engaging party may be able to identify a different engagement that will meet the needs of intended users. For example:

(a) If the original criteria were not suitable, an assurance engagement that meets the preconditions in paragraph 18 may still be performed if:

(i) The engaging party can identify an aspect of the original underlying subject matter for which those criteria are suitable, and in such cases, the practitioner could perform an assurance engagement with respect to that aspect as an underlying subject matter in its own right, with the assurance report making it clear that it does not relate to the original underlying subject matter in its entirety; or

(ii) Alternative criteria suitable for the underlying original subject matter can be selected or developed.

(b) The engaging party may request an engagement that is not an assurance engagement, such as a consulting or an agreed-upon procedures engagement.

4920. Having been accepted, it is not appropriate to change an assurance engagement, a practitioner may not change that engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement, without reasonable justification. 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. If such a change is made, the practitioner does not disregard evidence that was obtained prior to the change.

Elements of an Assurance Engagement

2021. The following elements of an assurance engagement are discussed in this section:

(a) A three party relationship involving a practitioner, a responsible party, and intended users;

(b) An appropriate underlying subject matter;

(c) Suitable criteria;

(d) Sufficient appropriate evidence; and

(e) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.
Three Party Relationship

222. Assurance engagements involve three separate parties: a practitioner, a responsible party and intended users. (See also Appendix 4.)

223. The responsible party and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the management executive board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity’s senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity’s activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

Practitioner

234. The term “practitioner” as used in this Framework is broader than the term “auditor” as used in ISAs and ISREs, which relates only to practitioners performing audit or review engagements with respect to historical financial information—the individual or individuals conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm) by applying assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement. In a direct engagement, the practitioner both measures or evaluates the underlying subject matter against the criteria and applies assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the outcome of that measurement or evaluation is free from material misstatement.

25. If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with an Assurance Standard, it is important to recognize that those Standards include requirements that reflect the premise in the paragraph 4 regarding the IESBA Code and ISQC 1, or other professional requirements, or requirements in laws or regulations that are at least as demanding.

246. 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 practitioner. In such cases, those persons carrying out the engagement collectively need to have appropriate competence and capabilities and the engagement team needs to be able to be sufficiently involved in the work of the practitioner’s expert, and to obtain the evidence necessary to conclude whether the work of that expert is adequate for the practitioner’s purposes. As noted in paragraph 17 (a), a practitioner does not accept an engagement if preliminary knowledge of the engagement circumstances indicates that ethical requirements regarding professional competence will not be satisfied. In some cases,
these requirements can be satisfied by the practitioner using the work of persons from other professional disciplines, referred to as a practitioner’s experts. In such cases, the practitioner is satisfied that those persons carrying out the engagement collectively possess the requisite skills and knowledge, and that the practitioner has an adequate level of involvement in the engagement and understanding of the work for which any expert is used. The practitioner has sole responsibility for the assurance conclusion 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 the relevant Assurance Standards, 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.

**Responsible Party**

2527. The responsible party is the party responsible for the underlying subject matter, person (or persons) who:

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

(b) In an assertion-based attestation engagement, the responsible party is also responsible for the subject matter information (the assertion), and may be responsible for the subject matter. An example of when the responsible party is responsible for both the subject matter information and the subject matter, is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is responsible for the subject matter information but not the subject matter, is when a government organization engages a practitioner to perform an assurance engagement regarding a report about a private company’s sustainability practices that the organization has prepared and is to distribute to intended users.

The responsible party may or may not be the party who engages the practitioner to perform the assurance engagement (the engaging party).

26. The responsible party ordinarily provides the practitioner with a written representation that evaluates or measures the subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended users. In a direct reporting engagement, the practitioner may not be able to obtain such a representation when the engaging party is different from the responsible party.

**Intended Users**

2728. The intended users are the individual(s) or organization(s), or class(es) thereof person(s) or class of persons for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.

2829. Whenever practical, the assurance report is addressed to all the intended users, but in some cases there may be other. In some cases there may be intended users, other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where there is a large number of people who will have access to it. In such cases, particularly where possible readers are
likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by law.

2930. Whenever practical, intended users or their representatives are may be directly involved with the practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an agreed-upon procedures engagement (which involves reporting factual findings based upon the procedures, rather than a conclusion):

(a) The practitioner is responsible for determining the nature, timing and extent of procedures; and

(b) The practitioner may need to perform additional procedures if information comes to the practitioner’s attention that differs significantly from that on which the determination of planned procedures was based. If the practitioner becomes aware of that leads the practitioner to question whether a material modification should be made to the subject matter information.

3031. In some cases, intended users (for example, bankers and regulators) impose a requirement on, or request, the responsible party (or the engaging party if different) to arrange for, an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for specified intended users or a specific purpose, the assurance report includes a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by including a restriction in the distribution or use of the assurance report that limits its use to those users or that purpose. [THE FOLLOWING TEXT WAS PREVIOUSLY A FOOTNOTE TO OLD PARA 38] While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular reader or purpose, does not itself indicate that a legal responsibility is owed by the practitioner in relation to that reader or for that purpose. Whether a legal responsibility is owed will depend on the circumstances of each case and the relevant jurisdiction.

Underlying Subject Matter

3432. The underlying subject matter, and subject matter information, of an assurance engagement can take many forms, such as:

- **Historical financial performance or conditions** (for example, historical or prospective financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in financial statements.

- **Future financial performance or condition** (for example, prospective financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in a financial forecast or projection.
• Non-financial performance or conditions (for example, performance of an entity) for which the subject matter information may be key indicators of efficiency and effectiveness.

• Physical characteristics (for example, capacity of a facility) for which the subject matter information may be a specifications document.

• Systems and processes (for example, an entity’s internal control or IT system) for which the subject matter information may be an assertion or a statement about effectiveness.

• Behavior (for example, corporate governance, compliance with regulation, human resource practices) for which the subject matter information may be a statement of compliance or a statement of effectiveness.

Appendix 5 shows a categorization of the range of possible underlying subject matters with some examples.

3333. Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the:

(a) Precision with which the underlying subject matter can be measured or evaluated against criteria; and

(b) The persuasiveness of available evidence.

The assurance report may note characteristics that are of particular relevance to the intended users.

3334. The appropriateness of an underlying subject matter is not affected by the level of assurance, that is, if an underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. An appropriate underlying subject matter is:

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

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

Criteria

3435. Criteria are the benchmarks used to measure or evaluate or measure the underlying subject matter including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal, for example in the preparation of financial statements, the criteria may be International Financial Reporting Standards or International Public Sector Accounting Standards; when reporting on the operating effectiveness of internal controls, the criteria may be based on an established internal control framework or individual control objectives specifically designed for the engagement purpose; and when reporting on compliance, the
criteria may be the applicable law, regulation or contract. Examples of less formal criteria are an internally developed code of conduct or an agreed level of performance (such as the number of times a particular committee is expected to meet in a year).

3536. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the underlying subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase.

3637. Suitable criteria exhibit the following characteristics:

(a) Relevance: relevant criteria contribute to conclusions that assist decision-making by the intended users.

(b) Completeness: criteria are sufficiently complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions by the intended users made on the basis of that subject matter information; conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

(c) Reliability: reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners.

(d) Neutrality: neutral criteria contribute to conclusions that are free from bias.

(e) Understandability: understandable criteria result in subject matter information that can be understood by the intended users, contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.

The evaluation or measurement of a subject matter on the basis of vague descriptions of the practitioner’s own expectations, or judgments and or of an individual practitioner’s experiences do not constitute suitable criteria.

3738. The practitioner assesses the suitability of criteria for a particular engagement by considering whether they reflect the above characteristics. The relative importance of each of the above characteristics when assessing the suitability of criteria to a particular engagement is a matter of professional judgment. The suitability of criteria is not affected by the level of assurance, i.e., if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Criteria can either be established or specifically developed. Established criteria are those embodied in laws or regulations, or issued by authorized or
recognized bodies of experts that follow a transparent due process (established criteria). Other criteria may be specifically developed criteria are those designed for the purpose of preparing the subject matter information in the particular circumstances of the engagement. Whether criteria are established or specifically developed affects the work that the practitioner carries out. Needed to assess their suitability for a particular engagement, for example, in the absence of indications to the contrary, established criteria are presumed to be suitable if they are relevant to the intended users’ information needs.

Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:

(a) Publicly.
(b) Through inclusion in a clear manner in the presentation of the subject matter information.
(c) Through inclusion in a clear manner in the assurance report.
(d) By general understanding, for example the criterion for measuring time in hours and minutes.

Criteria may also be available only to specific intended users, for example the terms of a contract, or criteria issued by an industry association that are available only to those in the industry because they are relevant only to a specific purpose. (See also paragraph 31) When identified criteria are available only to specific intended users, or are relevant only to a specific purpose, use of the assurance report is restricted to those users or for that purpose.

Evidence

The practitioner plans and performs an assurance engagement with an attitude of professional skepticism to obtain sufficient appropriate evidence about whether the subject matter information is free of material misstatement. Professional judgment needs to be exercised in considering materiality, assurance engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing and extent of evidence-gathering procedures.

Professional Skepticism

The practitioner plans and performs an assurance engagement with an attitude of professional skepticism is an attitude that includes being alert to, for example, evidence that is inconsistent with other evidence obtained, information that calls into question the reliability of documents and responses to inquiries to be used as evidence, and circumstances that suggest the need for procedures in addition to those required by relevant Assurance Standards recognizing that circumstances may exist that cause the subject matter information to be materially misstated. 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. For example, an attitude of maintaining professional skepticism is necessary throughout the engagement process for the necessary practitioner to, for example, to reduce the risk of overlooking unusual circumstances, of overgeneralizing when drawing conclusions from observations, and of using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.

43. Professional skepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.

44. An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. However, the practitioner considers the reliability of the information to be used as evidence, for example photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant. Unless the engagement involves assurance about the genuineness of documents, records and documents may be accepted as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner considers the reliability of information to be used as evidence.

45. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism.

Professional Judgment

[A7446. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and the ISAEs Assurance Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:

- Materiality and engagement risk.
- The nature, timing, and extent of procedures used to meet the requirements of the ISAEs Assurance Standards and obtain evidence.
- Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the overall objectives of ISAE 3000 and any relevant subject matter specific ISAE Assurance Standards.
- In the case of a direct engagement, applying the criteria to the subject matter, and if the practitioner selects or develops the applicable criteria, selecting or...]

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developing them. In the case of an attestation engagement, evaluating such judgments made by others.

- The appropriate conclusions to draw based on the evidence obtained.

A7547. The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.

A7648. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters 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 assist the practitioner in making informed and reasonable judgments.

A7749. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner’s assurance report.

A7850. Professional judgment needs to be exercised throughout the engagement. It also needs to be appropriately documented. In this regard, paragraph 67 requires the practitioner to prepare documentation sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the significant professional judgments made in reaching conclusions on significant matters arising during the engagement. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Sufficiency and Appropriateness of Evidence

4251. The sufficiency and appropriateness of evidence are interrelated. Sufficiency is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of the subject matter information being materially misstated (the higher the risks, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality.

52. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner’s conclusion is based. The quantity of evidence needed is affected by the risk of the subject matter information being materially misstated (the greater the risk, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Accordingly, the sufficiency and appropriateness of evidence are interrelated. However, merely obtaining more evidence may not compensate for its poor quality.

4353. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to
important exceptions. Even when evidence is obtained from sources external to the entity, circumstances may exist that could affect the reliability of the information obtained. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:

- Evidence is more reliable when it is obtained from independent sources outside the entity.
- Evidence that is generated internally is more reliable when the related controls are effective.
- Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
- Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of what was discussed).
- Evidence provided by original documents is more reliable than evidence provided by photocopies or facsimiles.

The practitioner ordinarily obtains more assurance is ordinarily obtained from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining evidence from different sources or of a different nature may either corroborate other evidence or indicate that an individual item of evidence is not reliable. For example, corroborating information obtained from a source independent of the entity may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner it is necessary to determines what additional evidence-gathering procedures are necessary to resolve the inconsistency.

In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter information covering a period than about subject matter information at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement; the practitioner provides no conclusion about whether the process will continue to function in the specified manner in the future.

Whether sufficient appropriate evidence has been obtained to enable the practitioner to draw reasonable conclusions on which to base the practitioner’s conclusion is a matter of professional judgment, which involves the practitioner considering 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.
Materiality

477. Materiality is relevant when the practitioner—planning and performing the assurance engagement, including when determining the nature, timing and extent of evidence-gathering procedures, and when assessing evaluating whether the subject matter information is free of misstatement. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because both are based on the information needs of intended users.

58. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The practitioner’s consideration of materiality is a matter of professional judgment, and is affected by the practitioner’s perception of the common information needs of intended users as a group. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered. When considering materiality, the practitioner understands and assesses 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.

59. Materiality is considered in the context of quantitative and qualitative factors and, when applicable, quantitative factors, such as relative magnitude, the nature and extent of the effect of these factors on the evaluation or measurement of the subject matter, and the interests of the intended users. The assessment of materiality and the relative importance of qualitative and quantitative and qualitative factors when considering materiality in a particular engagement are matters for the practitioner’s professional judgment.

60. Materiality relates to the information covered by the practitioner assurance report. Therefore, when the engagement covers some, but not all aspects of the subject matter information, materiality is considered in relation to only that portion of the subject matter information that is covered by the engagement.

Assurance-Engagement Risk

961. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. This occurs when the subject matter information does not properly reflect the application of the criteria to measure or evaluate the underlying subject matter, for example, when an entity’s financial statements do not give a true and fair view of (or present fairly, in all material respects) its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards, or when an entity’s assertion statement that its internal control is effective is not fairly stated, in all material respects, based on COSO or CoCo the criteria in ISAE 3402.
Engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. Engagement risk does not refer to or include the practitioner’s business risks such as loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on. 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 by the practitioner is likely to enhance the intended users’ confidence about the subject matter information to a degree that is clearly more than inconsequential.

Reducing engagement risk to zero is very rarely attainable or cost beneficial and, therefore, “reasonable assurance” is less than absolute assurance, 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 professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
- In some cases, the characteristics of the subject matter when measured or evaluated against the applicable criteria.

In general, assurance engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:

(a) Risks that the practitioner does not directly influence, which may consist of:

(i) The susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk); and
(ii) In the case of an attestation engagement, the risk that a material misstatement that occurs in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control (control risk); and

(b) Risks that the practitioner does directly influence, which may consist of:

(i) The risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk); and

(ii) In the case of a direct engagement, the risks associated with the practitioner’s measurement or evaluation of the subject matter against the applicable criteria.

(a) The risk that the subject matter information is materially misstated, which in turn consists of:

(i) Inherent risk: the susceptibility of the subject matter information to a material misstatement, assuming that there are no related controls; and

(ii) Control risk: the risk that a material misstatement that could occur will not be prevented, or detected and corrected, on a timely basis by related internal controls. When control risk is relevant to the subject matter, some control risk will always exist because of the inherent limitations of the design and operation of internal control; and

(b) Detection risk: the risk that the practitioner will not detect a material misstatement that exists.

65. The degree to which the practitioner considers each of these components is relevant to the engagement is affected by the engagement circumstances, in particular:

- The nature of the underlying subject matter and the subject matter information. For example, the concept of control risk may be more useful when the underlying subject matter relates to the preparation of information about an entity’s performance than when it relates to information about the effectiveness of a controls or the existence of a physical condition.

- Whether a reasonable assurance or a limited assurance engagement is being performed. For example, in some limited assurance attestation engagements the practitioner may decide to obtain evidence by means other than tests of controls, in which case consideration of control risk may be less relevant than in a reasonable assurance attestation engagement on the same subject matter information.

- Whether it is a direct engagement or an attestation engagement. As noted in the previous paragraph, while the concept of control risk is relevant to attestation engagements, the broader concept of measurement or evaluation risk is relevant to direct engagements.

The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.
Nature, Timing and Extent of Evidence-gathering Procedures

5066. The exact nature, timing and extent of evidence-gathering procedures will vary from one engagement to the next. For many assurance engagements, infinite variations in evidence-gathering procedures are possible in theory. In practice, however, these are difficult to communicate clearly and unambiguously. The practitioner attempts to communicate them clearly and unambiguously and uses the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

51. "Reasonable assurance" is a concept relating to accumulating evidence necessary for the practitioner to conclude in relation to the subject matter information taken as a whole. To be in a position to express a conclusion in the positive form required in a reasonable assurance engagement, it is necessary for the practitioner to obtain sufficient appropriate evidence as part of an iterative, systematic engagement process involving:

(a) Obtaining an understanding of the subject matter and other engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control;

(b) Based on that understanding, 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;

(d) Performing 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 involve substantive procedures including, where applicable, obtaining corroborating information from sources independent of the responsible party, and depending on the nature of the subject matter, tests of the operating effectiveness of controls; and

(e) Evaluating the sufficiency and appropriateness of evidence.

52. "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.

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.
In some cases, the characteristics of the subject matter when evaluated or measured against the identified criteria.

Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances.

In a reasonable assurance engagement involves: the practitioner shall:

(a) Based on the practitioner’s understanding of the underlying subject matter and other engagement circumstances, identifying and assessing the risks of material misstatement;

(b) Responding to assessed risks, by (i) developing and implementing overall responses, and (ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures. Those procedures shall involve substantive procedures (including obtaining corroborating information from independent sources, when relevant), and when relevant to the engagement circumstances, tests of the operating effectiveness of controls over the measurer or evaluator’s preparation of the subject matter information (in the case of an attestation engagement) or over data used by the practitioner in measuring or evaluating the underlying subject matter (in a direct engagement); and

(c) Based on the procedures performed and the evidence obtained, evaluating before the completion of the engagement whether the earlier practitioner’s assessment of the risks that the subject matter information may be materially misstated remain appropriate.

The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are, however, deliberately limited relative to a reasonable assurance engagement. For some underlying subject matters, there may be specific pronouncements to provide guidance on procedures for gathering sufficient appropriate evidence for a limited assurance engagement. For example, ISRE 2400, “Engagements to Review Financial Statements” establishes that sufficient appropriate evidence for reviews of financial statements is obtained primarily through analytical procedures and inquiries. In the absence of a relevant pronouncement, the procedures for gathering sufficient appropriate evidence may or may not primarily be analytical procedures and inquiries and will vary with the circumstances of the engagement, in particular, the underlying subject matter, and the 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 pursues the matter by performing other procedures sufficient to enable the practitioner to report.

In a limited assurance engagement involves: the practitioner shall:
(a) Based on the practitioner’s understanding of the underlying subject matter and other engagement circumstances, and consideration of risks of material misstatement, determining the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users;

(b) Performing those procedures; and

(c) Design and perform additional procedures as appropriate if the practitioner becomes aware of a matter that causes the practitioner to believe the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to:

(i) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or

(ii) Determine that the matter causes the subject matter information to be materially misstated.

Quantity and Quality of Available Evidence

§471. The quantity or quality of available evidence is affected by:

(a) The characteristics of the underlying subject matter and subject matter information. For example, less objective evidence might be expected when information about the subject matter information is future oriented rather than historical (see paragraph 332); and

(b) Other circumstances of the engagement other than the characteristics of the subject matter, such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the practitioner’s appointment, an entity’s document retention policy, or a restriction imposed by the responsible party.

Ordinarily, available evidence will be persuasive rather than conclusive.

§§72. An unqualified conclusion is not appropriate for either type of a reasonable assurance or a limited assurance engagement in the case of a material limitation on the scope of the practitioner’s work, that is, when:

(a) Circumstances prevent the practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level; or

(b) The responsible party or the engaging party to the engagement imposes a restriction that prevents the practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level.

Assurance Report

§673. The practitioner forms a conclusion on the basis of the evidence obtained, and provides a written report containing a clear expression of that conclusion that conveys the assurance obtained about the subject matter information. ISAs, ISREs and ISAEs Assurance Standards establish basic elements for assurance reports. In addition, the
practitioner considers other reporting responsibilities, including communicating with those charged with governance when it is appropriate to do so.

§774. In an assertion-based attestation assurance engagement, the practitioner’s conclusion can be worded either:

(a) In terms of a statement made by the measurer or evaluator, that is, the party responsible for measuring or evaluating the underlying subject matter party’s assertion (for example: “In our opinion the responsible party’s assertion that internal control is effective, in all material respects, based on XYZ criteria, is fairly stated”); or

(b) Directly in terms of the underlying subject matter and the criteria (for example: “In our opinion internal control is effective, in all material respects, based on XYZ criteria”).

In a direct reporting engagement, the practitioner’s conclusion is worded directly as for (b) above, that is, in terms of the underlying subject matter and the criteria.

§875. In a reasonable assurance engagement, the practitioner’s expresses the conclusion is expressed in the positive form, for example: “In our opinion internal control is effective, in all material respects, based on XYZ criteria.” This form of expression conveys “reasonable assurance.” Having performed evidence-gathering procedures of a nature, timing and extent that were reasonable given the characteristics of the underlying subject matter and other relevant engagement circumstances described in the assurance report, the practitioner has obtained sufficient appropriate evidence to reduce assurance engagement risk to an acceptably low level.

§976. In a limited assurance engagement, the practitioner’s expresses the conclusion is expressed in the negative form that conveys the fact that, based on the procedures performed, nothing has come to the practitioner’s attention to cause the practitioner to believe the subject matter information is materially misstated, for example, “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.” This form of expression conveys a level of “limited assurance” that is proportional to commensurate with the level of the practitioner’s evidence-gathering procedures given the characteristics of the underlying subject matter and other engagement circumstances described in the assurance report.

77. 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 assurance, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement.

6078. The practitioner’s does not express an unqualified conclusion is modified for either type of assurance engagement when the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material:
(a) There is a limitation on the scope of the practitioner’s work (see paragraph 55). The practitioner expresses The practitioner is unable to obtain sufficient appropriate evidence in the context of the engagement, in which case a scope limitation exists and a qualified conclusion or a disclaimer of conclusion is expressed depending on how material or pervasive the limitation is. In some cases the practitioner considers withdrawing from the engagement.

(b) In those cases A qualified or adverse conclusion is expressed, depending on how material or pervasive the matter is. Where:

(i) The practitioner’s conclusion is worded in terms of a statement made by the measurer or evaluator the responsible party’s assertion, and that assertion statement is incorrect not fairly stated, in all material respects; or

(ii) The practitioner’s conclusion is worded directly in terms of the underlying subject matter and the criteria, and the subject matter information is not free from materially misstatement. [THE FOLLOWING WORDING WAS PREVIOUSLY A FOOTNOTE] In those direct reporting engagements where the subject matter information is presented only in the practitioner’s conclusion, and the practitioner concludes that the subject matter information 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).

the practitioner expresses a qualified or adverse conclusion depending on how material or pervasive the matter is.

79. A qualified conclusion is expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates.

80. [THIS IS A NEW PARA. THE UNDERLYING TEXT IF DRAFT ISAE 3000 PARA 66] In those cases where the practitioner’s unqualified conclusion would be worded in terms of a statement made by the measurer or evaluator, and that statement has identified and properly described that the subject matter information is materially misstated, the practitioner shall either:

* (a) Express a A qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria is expressed; or

* (b) If specifically required by the terms of the engagement to word the conclusion in terms of statement made by the measurer or evaluator, express an unqualified conclusion is expressed but emphasizes the matter by specifically referring to it in the assurance report.

81. 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. The practitioner expresses:
(a) A qualified conclusion or adverse conclusion is expressed depending on how material or pervasive the matter is, when the unsuitable criteria or inappropriate underlying subject matter is likely to mislead the intended users; or

(b) A qualified conclusion or a disclaimer of conclusion is expressed depending on how material or pervasive the matter is, in other cases.

In some cases the practitioner considers withdrawing from the engagement.

6482 [THIS PARA IS NEW. THE UNDERLYING TEXT IS DRAFT ISAE 3000 PARA 64] The practitioner shall express a qualified conclusion is expressed when the effects, or possible effects, of a matter are 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, or possible effects, of the matter to which the qualification relates.

Other Communication Responsibilities

83. [THIS PARA IS NEW. THE UNDERLYING TEXT IF DRAFT ISAE 3000 PARA 67] The practitioner shall consider whether, In some cases, pursuant to the terms of the engagement and other engagement circumstances, any matters that have may come to the attention of the practitioner that the practitioner should be communicated with management or those charged with governance of the entity, another party to the engagement, or others.

Documentation

[THIS IS A NEW SECTION. THE UNDERLYING TEXT IF DRAFT ISAE 3000 PARAS 68 & 69]

84. The practitioner shall prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that when it is prepared on a timely basis and is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand:

(a) The nature, timing and extent of the procedures performed to comply with the ISAEs-Assurance Standards and applicable legal and regulatory requirements;

(b) The results of the procedures performed, and the evidence obtained; and

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

85. If—Engagement documentation includes how the practitioner addressed any inconsistency between identifies information identified by the practitioner and that is inconsistent with the practitioner’s final conclusion regarding a significant matter, the practitioner shall document how the practitioner addressed the inconsistency.
Inappropriate Use of the Practitioner’s Name

A practitioner is associated with an underlying subject matter when the practitioner reports on information about that underlying subject matter or consents to the use of the practitioner’s name in a professional connection with that underlying subject matter. If the practitioner is not associated in this manner, third parties can assume no responsibility of the practitioner. If the practitioner learns that a party is inappropriately using the practitioner’s name in association with an underlying subject matter, the practitioner requires the party to cease doing so. The practitioner also considers what other steps may be needed, such as informing any known third party users of the inappropriate use of the practitioner’s name or seeking legal advice.

Public Sector Perspective

This Framework is relevant to all professional accountants in the public sector who are independent of the entity for which they perform assurance engagements. Where professional accountants in the public sector are not independent of the entity for which they perform an assurance engagement, the guidance in footnote 1 should be adopted.
Appendix 1

Pronouncements Issued by the IAASB

This Appendix illustrates the ambit of pronouncements issued by the IAASB, and their relationship to each other and to the IESBA Code of Ethics for Professional Accountants.
Appendix 2

Attestation Engagements and Direct Engagements

This Appendix outlines the differences between an attestation engagement and a direct engagement.


A1. In an attestation engagement, the measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.

A2. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. In some cases, the practitioner’s conclusion is the subject matter information. Depending on the underlying subject matter:

(a) The outcome of the measurement or evaluation in a direct engagement may be similar to a report or statement prepared by the measurer or evaluator in an attestation engagement. In other circumstances, however, the outcome, i.e., the subject matter information, may be reflected in the description of the findings and basis for the practitioner’s conclusion in a long-form assurance report; and

(b) The practitioner may use data collected or compiled by others. For example, the data may come from an information system maintained by the responsible party.

A3. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also applies assurance skills and techniques to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information materially misstates the outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria. The practitioner often obtains that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation.

A4. So, in a direct engagement, rather than the source of assurance coming about through independent review of a measurement or evaluation that another party has performed, as is the case in an attestation engagement, the value of a direct engagement lies in the combination of:

(a) The independence of the practitioner from the underlying subject matter, the engaging party, intended users and the responsible party. The practitioner is not independent of the subject matter information because the practitioner created that subject matter information; and
(b) The assurance skills and techniques applied when measuring or evaluating the underlying subject matter, which results in the accumulation of evidence that is of a similar quantity and quality as for an attestation engagement. It is this obtaining of sufficient appropriate evidence that distinguishes a direct engagement from a mere compilation. To illustrate this point, if a practitioner were compiling an entity’s financial statements, the practitioner would not, for example, observe physical inventory counts. In a direct engagement, however, the practitioner would either conduct physical inventory counts as part of the measurement process, or observe physical inventory counts performed by others to the same extent as would be the case if the engagement were an attestation engagement.
### Differences Between Reasonable Assurance Engagements and Limited Assurance Engagements

This Appendix outlines the differences between a reasonable assurance engagement and a limited assurance engagement discussed in the Framework (see in particular the referenced paragraphs).

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<thead>
<tr>
<th>Reasonable assurance engagement</th>
<th>Limited assurance engagement</th>
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<td><strong>Reducing engagement risk</strong></td>
<td>In a reasonable assurance engagement the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for positive form of expression of the practitioner’s conclusion in the form of an opinion. (Paragraph 11)</td>
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<tr>
<td><strong>Procedures</strong></td>
<td>Sufficient appropriate evidence is obtained by applying assurance skills and techniques as part of a systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances, and: (a) Based on that understanding, identifying and assessing the risks of material misstatement; (b) Responding to assessed risks, by (i) developing and implementing overall responses, and (ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures; and (c) Based on the procedures performed and the evidence obtained, evaluating before the completion of the engagement whether the practitioner’s assessment of the risks that the subject matter information may be materially misstated remain appropriate. (Paragraphs 67 and 68)</td>
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1. A detailed discussion of requirements is only possible within ISAEs for specific subject matters.
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<tr>
<th><strong>Type of engagement</strong></th>
<th><strong>Objective</strong></th>
<th><strong>Evidence-gathering procedures</strong></th>
<th><strong>The assurance report</strong></th>
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| **Reasonable assurance engagement** | 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 (Paragraph 11) | Sufficient appropriate evidence is obtained as part of a systematic engagement process that includes:  
- Obtaining an understanding of the engagement circumstances;  
- Assessing risks;  
- Responding to assessed risks;  
- Performing further procedures using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such further procedures involve substantive procedures, including, where applicable, obtaining corroborating information, and depending on the nature of the subject matter, tests of the operating effectiveness of controls; and  
- Evaluating the evidence obtained (Paragraph 51) | Description of the engagement circumstances, and a positive form of expression of the conclusion (Paragraph 58) |
| **Limited assurance engagement** | Description of the engagement circumstances, and a positive form of expression of the practitioner’s conclusion. (Paragraphs 11 and 75) | Description of the engagement circumstances, including the limited nature of the assurance obtained, and the expression of a conclusion in a form that conveys the fact that, based on the procedures performed, nothing has come to the practitioner’s attention to cause the practitioner to believe the subject matter information is materially misstated (Paragraph 11 and 76) | |

2 A detailed discussion of evidence-gathering requirements is only possible within ISAEs for specific subject matters.
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<tr>
<th>Type of engagement</th>
<th>Objective</th>
<th>Evidence-gathering procedures(^2)</th>
<th>The assurance report</th>
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<tr>
<td>Limited assurance engagement</td>
<td>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 (Paragraph 11)</td>
<td>Sufficient appropriate evidence is obtained as part of a systematic engagement process that includes obtaining an understanding of the subject matter and other engagement circumstances, but in which procedures are deliberately limited relative to a reasonable assurance engagement (Paragraph 53)</td>
<td>Description of the engagement circumstances, and a negative form of expression of the conclusion (Paragraph 59)</td>
</tr>
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The Parties to an Assurance Engagement

1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, the roles of the measurer or evaluator and of the engaging party may also be assumed by one of these parties or by another party(ies).

2. The above diagram illustrates how the following roles relate to an assurance engagement:
   (a) The responsible party is responsible for the underlying subject matter.
   (b) The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
   (c) The engaging party agrees the terms of the engagement with the practitioner.
   (d) The practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of the underlying subject matter against criteria.
(e) The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report.

3. The following observations can be made about these roles:

- Every assurance engagement has at least a responsible party and intended users, in addition to the practitioner.
- The practitioner cannot be the responsible party, the engaging party or an intended user.
- In a direct engagement, the practitioner is also the measurer or evaluator.
- In an attestation engagement, the responsible party, or someone else, but not the practitioner, can be the measurer or evaluator.
- Where the practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.
- The responsible party can be the engaging party.
- In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator, is when the practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organization about a private company’s sustainability practices.
- In an attestation engagement, the measurer or evaluator ordinarily provides the practitioner with a written representation about the subject matter information. In some cases, the practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
- The responsible party can be one of the intended users, but not the only one.
- The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity’s senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity’s activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.
- An engaging party that is not also the responsible party can be the intended user.
### Appendix 5

**Categorization of Underlying Subject Matters**

The table below shows a categorization of the range of possible underlying subject matters with some examples. For some categories no example is given because it is unlikely that assurance engagements with respect to information in these categories would be undertaken. The categorization is not necessarily complete, and the categories are not necessarily mutually exclusive. Also, in some cases, the examples are the subject matter information, in other cases they are the underlying subject matter or merely an indication of the type of question that information could assist with, whichever is more meaningful in the circumstances.

<table>
<thead>
<tr>
<th>Information about:</th>
<th>Historical Information</th>
<th>Future Oriented Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>[An attestation engagement on this information would be an audit or review to be conducted in accordance with the ISAs or ISREs]</td>
<td>• Forecast/projected cash flow&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Position</td>
<td></td>
<td>• Forecast/projected financial position&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Non-Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance/Use of Resources/Value for Money</td>
<td>• GHG statement</td>
<td>• Expected emissions reductions attributable to a new in technology, or GHGs to be captured by planting trees</td>
</tr>
<tr>
<td></td>
<td>• KPIs</td>
<td>• Statement that a proposed action will provide value for money</td>
</tr>
<tr>
<td>Condition</td>
<td>• Description of a system/process as implemented at a point in time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Physical characteristics, e.g., the size of leased property</td>
<td></td>
</tr>
<tr>
<td><strong>System/Process</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>• The description of a system of internal control</td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td>• The design of controls at a service organization</td>
<td>• The design of proposed controls for a forthcoming production process</td>
</tr>
<tr>
<td>Operation/Performance</td>
<td>• The operating effectiveness of procedures for hiring and training staff</td>
<td></td>
</tr>
<tr>
<td><strong>Aspects of Behavior</strong></td>
<td>Compliance</td>
<td>• An entity’s compliance with e.g., loan covenants, or specific legal or regulatory requirements</td>
</tr>
</tbody>
</table>

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3 See ISAE 3400, *The Examination of Prospective Financial Information*

4 See ISAE 3400, *The Examination of Prospective Financial Information*

5 Where the engagement is undertaken by a professional accountant in public practice to provide a report for use by user entities and their auditors on the controls at a service organization that provides a service to user entities that is likely to be relevant to user entities' internal control as it relates to financial reporting, it would be conducted in accordance ISAE 3410.
<table>
<thead>
<tr>
<th>Information about:</th>
<th>Historical Information</th>
<th>Future Oriented Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Behavior</strong></td>
<td>• Evaluation of audit committee effectiveness</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>• The fitness for purpose of a software package</td>
<td>• An entity’s creditworthiness</td>
</tr>
</tbody>
</table>