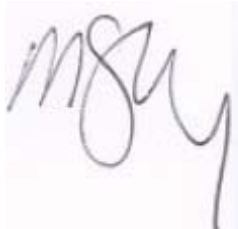


To whom it may concern,

**Re Comments on the Proposed ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information**

Please find below LRQA's comments in response to our review of the proposed standard. We thank you for the opportunity to contribute and would be more than happy to provide any further support or elaboration as required.

Yours Sincerely



Madlen King

Global Head of Climate Change & Sustainability

1. Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which proposed ISAE 3000 will apply?

Yes, LRQA considers that the proposed ISAE 3000 provides sufficient detail whilst also enabling flexibility across the broad range of engagements to which it may apply.

2. With respect to levels of assurance:

(a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?

LRQA believes that the definitions of both reasonable and limited assurance engagements are appropriate.

(b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?

It is LRQA's opinion that the description of the Assurance Procedures for reasonable assurance and limited assurance engagements in paras 41 and 42 are not appropriate for the following reasons:

- At present the need for a risk assessment is only detailed under a reasonable assurance engagement. We would like to point out that a risk assessment is fundamental to all assurance engagements at both levels of assurance.
- The present description (requiring only risk assessment at reasonable assurance) is in contrast to the description included in the draft ISAE 3410 and the recent requests for specific comments against that draft.

(c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?

It is LRQA's opinion that for a limited assurance engagement it is fundamental for the practitioner to gain an understanding of the internal control over the preparation of the subject matter. The level of internal control will provide an input into and thus inform the practitioner's risk assessment and their subsequent assurance procedures and depth.

3. With respect to attestation and direct engagements:

(a) Do respondents agree with the proposed changes in terminology from 'assurance-based engagements' to 'attestation engagements' as well as those from 'direct-reporting engagements' to 'direct engagements' ?

It is LRQA's opinion that the definitions of attestation engagement and direct engagement are clear. However, LRQA does not feel that the example given in A6 (b) is appropriate and thus gives rise to confusion. The example currently states that *'if a practitioner were compiling an entity's greenhouse gas statement, the practitioner would not, for example, test the calibration of monitoring devices. In a direct engagement, however, the practitioner would, where relevant, either calibrate monitoring devices as part of the measurement process, or test the calibration of monitoring devices performed by others to the same extent as would be the case if the engagement were an attestation engagement'*. LRQA does not agree with the language used as we believe that if a practitioner were conducting an assurance engagement in order to compile an entity's greenhouse gas statement, the practitioner would need to assess the calibration status of monitoring devices.

**(b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?**

LRQA does not feel that the proposed ISAE 3000 explains the differences between direct engagements and attestation engagements as clearly as possible. In particular when referring to A3 – A6. LRQA requests that the differences between the two types of engagement are highlighted in greater detail and requests that the IAASB consider a tabular comparison for greater ease of understanding for the user.

**(c) Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:**

**(i) In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?**

LRQA believes that the definitions of subject matter information, underlying subject matter and misstatement are in line and appropriate, including in the situation of a direct engagement as defined by the proposed draft. As the definition of misstatement is clearly a difference between the subject matter information and the underlying subject matter, this is deemed appropriate.

**(ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?**

Para A9-A10 of the draft currently do not state that within some direct engagement the practitioner 'may' select or develop the appropriate criteria. The language used is more firm stating that 'In other direct engagements, however, the practitioner selects or develops the applicable criteria'. The language here may therefore benefit from some review and clarification.

However the proposed draft makes clear that the criteria are part of the Terms of Engagement and must therefore be agreed upon with the engaging party in a form of written agreement. In addition, para A10 identifies the need to 'discuss the choice of criteria with the appropriate party(ies) and disclose in the assurance report the basis for using a particular set of criteria the practitioner has selected or developed' and thus it is LRQA's opinion that the requirements and guidance for this (subject to the reservations above) are appropriate.

**4. With respect to describing the practitioner's procedures in the assurance report:**

**(a) Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?**

Yes, LRQA feels that the inclusion of a summary of work conducted as the basis for the conclusion is essential to convey to the end user the extent and depth of the assurance engagement and thus assist in explaining the level of assurance which can be provided to that end user.

**(b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?**

It is LRQA's opinion that to include such a detailed but unclear statement within the reports/statements has the potential to cause confusion in the market and detract from the level of assurance intended. LRQA feels that providing the level of assurance is clearly stated within the report/statement, the education of end users

with regard to what is achieved from limited and reasonable assurance engagements should be addressed through other means.

**(c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?**

LRQA repeats its comments in responding to a similar question to the draft ISAE 3410 - The requirement for practitioners to provide a 'summary of procedures' within the statement to allow end users to understand the work undertaken is absolutely necessary. However it is not felt that examples are necessary. The fact that the ISAE 3410 provides examples of this for the reasonable assurance statement but not for the limited assurance statement is inconsistent.

**5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, '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' ) communicates adequately the assurance obtained by the practitioner?**

LRQA believes that this text is appropriate.

**6. With respect to those applying the standard:**

**(a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?**

LRQA welcomes the proposed revision acknowledging that ISAE 3000 may be used by either a professional accountant in public practice or a competent practitioner other than a profession accountant in public practice.

**(b) Do respondents agree with proposed definition of 'practitioner' ?**

Yes.

*Small-and Medium-Sized Practices (SMPs) and Small-and Medium-Sized Entities (SMEs)*—Recognizing the applicability of proposed ISAE 3000 to assurance engagements on historical financial information in a SME context or by SMPs, the IAASB invites respondents from this constituency to comment on the proposed ISAE, in particular on the scalability of requirements.

It is LRQA's opinion that providing our above comments are taken into consideration the level of detail within the standard make it scalable for SME's.

*Effective Date*—The IAASB believes that an appropriate effective date for the final ISAE 3000 would be 12–15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

LRQA welcomes the earlier application of the final ISAE prior to 12-15 months after its approval enabling the earliest applicability to non-accountancy firms.