



01 September 2011

Technical Director
International Auditing and Assurance Standards Board
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Dear Sir

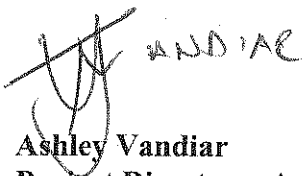
**SAICA SUBMISSION ON COMMENTS ON THE ASSURANCE ENGAGEMENT
OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL
INFORMATION**

In response to your request for comments on ISAE 3000: *Assurance Engagement Other Than Audits or Reviews of Historical Financial Information*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,


Ashley Vandiar

Project Director – Assurance and Members' Advice

cc:

OVERALL COMMENTS

We believe that the proposed ISAE 3000 is a principles-based standard that can be applied effectively to a broad range of underlying subject matters. However, we are concerned about the confusion that may arise in distinguishing between direct and attest type engagements despite guidance provided in the standard. We believe that the definitions of these types of engagement could be improved as indicated in our responses to specific comments under Annexure C.

Annexure B

SPECIFIC COMMENTS

No	Reference to ISAE 3000	Issue/Reason for comment	Recommendation/ Proposed changes
1)	Paragraph 31	<p>Paragraph reads as follows:</p> <p><i>“The engagement partner shall consider the results of the firm are monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the assurance engagement”.</i></p> <p>The proposed standard requires the practitioner who is performing the engagement to be a member of the firm that is subject to ISQC 1.</p> <p>The issue/problem is that the standard may be duplicating the requirements of ISQC 1 under paragraph 31 unless there is an intention for specifically including this paragraph.</p>	<p>We propose that guidance/clarity be provided on what is the intention of including paragraph 31 beyond what has already been stated in the proposed standard.</p>
2)	Paragraph 43	<p>The paragraph reads as follows:</p> <p><i>“The practitioner shall accumulate uncorrected misstatements identified during the engagement other than those that are <u>“clearly trivial”</u>.”</i></p> <p>The term “clearly trivial” is not defined in the proposed standard.</p>	<p>We propose that the proposed standard be amended to:</p> <ul style="list-style-type: none"> • Include the definition of the term “clearly trivial” be defined. • Provided guidance on what is “trivial” in context of qualitative and quantitative misstatements.
3)	Paragraph 63	<p>The term “in all material respects” is used when expressing an unmodified conclusion.</p> <p>We recognise that there is an intention</p>	<p>We propose that:</p> <ul style="list-style-type: none"> • Guidance or clarity be provided on whether the practitioner can conclude by using the term “fairly

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		<p>based conclusion as is not aligned to the scenario where there is a subject matter criterion of a fair presentation or recognised framework.</p> <p>The question being raised is whether the practitioner can conclude by using the term “fairly present” in instance where the subject matter is aligned to fair presentation or recognised framework.</p>	<p>present” in instance where the subject matter is aligned to fair presentation or recognised framework.</p> <ul style="list-style-type: none"> • Clarity be provided on whether it is the intention of the propose standard not to align the conclusion to the subject matter criteria of fair presentation or framework and the thought thereon.

Annexure C

RESPONSES TO “REQUEST FOR SPECIFIC COMMENTS”

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?*

Response: Yes, we believe that the proposed standard provides flexibility given the broad range of engagements. With respect to consistency and the generic nature of the standard to deal with different types of engagements, this may not be achieved.

We recognise the requirements of paragraph 2(a), however, the levels of consistency may be impacted where the practitioner has not necessarily applied the principles of assurance services previously.

However, the IAASB must continue to develop specific matter standards when the need arise, for example ISAE 3410 *Assurance Engagements on Green House Gas Statements*.

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?*

Response: Yes, however if the practitioner has not necessarily applied the principles of assurance services previously, such practitioner may not understand the difference between reasonable assurance engagements and limited assurance engagements.

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

- c) **Response:** Yes, we believe that the requirements and other material in proposed ISAE 3000 are appropriate to both reasonable assurance engagements and limited assurance engagements.

- d) *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?*

Response: Yes, we agree with the application guidance, paragraph A93 as it brings in the scenario where the level of understanding of internal controls may be required for some limited assurance engagements. Depending on the nature of the engagement, even in the limited assurance engagements, there may be

instances where the level of understanding of internal controls is required to enable the practitioner to design and perform appropriate procedures in order to achieve the objectives of the engagement.

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”?*

Response: Yes, we agree with the proposed changes.

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

Response: We believe that there could be an improvement in the definition on direct engagement with an illustrative examples provided in the application material.

We propose that further guidance be provided for practitioners to clearly understand the difference between the direct engagements and attestation engagements. This might be enhanced by inclusion of illustrative of examples of the different type of reports for both direct and attestation engagement.

- 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))?*

Response: It is difficult to understand whether there will ever be a scenario of where there would be a misstatement in a direct engagement.

- 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?*

Response: we believe that it will be difficult for detailed guidance to be provided based on the generic basis of the proposed standard.

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?*

Response: Yes, the requirement to include a summary of the work performed as the basis for the practitioner's conclusion is appropriate.

- 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?*

Response: Yes, it is appropriate as it alerts the users to the assurance service being provided.

- 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?*

Response: Yes, we believe that further guidance should be provided to ensure some level of consistency in the underlying reports.

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?*

Response: Yes, we believe that the form of the practitioner's conclusion in a limited assurance engagement communicates adequately the assurance obtained by the practitioner, but it needs to be supported by the appropriate level of detail for the summary of procedures performed so that it can be aligned with the context of the engagement.

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?*

Response: Yes, we agree as it does recognise that often these type engagements will be performed by competent practitioners other than professional accountants in public practice.

On the basis of assisting the user understand the skills and competence of the practitioner who prepared the report, it is, however, recommended that the minimum contents of the Assurance Report under paragraph 60 should include the practitioner's qualification or designation, if any.

- b) *Do respondents agree with proposed definition of "practitioner"?*

Response: Yes, we agree with the definition of “practitioner” as per paragraph 8(q).

COMMENTS ON OTHER MATTERS

1. **Public Sector**—*Recognising the applicability of proposed ISAE 3000 to many assurance engagements in the public sector, the IAASB invites respondents from this sector to comment on the proposed ISAE, in particular on whether, in their opinion, the special considerations in the public sector environment have been dealt with appropriately in the proposed ISAE.*

Response: Not applicable.

2. **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.*

Response: Not applicable.

3. **Developing Nations**—*Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed ISAE, in particular, on any foreseeable difficulties in applying it in a developing nation environment.*

Response: Not applicable, therefore no comment as our country, South Africa, has already adopted the International Standards.

4. **Translations**—*Recognising that many respondents may intend to translate the final ISAE for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISAE.*

Response: we do not foresee any specific translation issues within our environment.

5. **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.*

Response: Yes, we believe that the proposed period to support effective implementation is sufficient.