

Technical Director
International Auditing and Assurance
Standards Board
545 Fifth Avenue, 14th Floor
New York
New York 10017
USA

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ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information *and* International Framework for Assurance Engagements, ISAE 3402, Assurance Reports on Controls at a Service Organization, Exposure Draft of Proposed ISAE 3410, Assurance Engagements on Greenhouse Gas Statements.

Far, the Institute for the Accountancy Profession in Sweden is responding to your invitation to comment on the exposure draft *Proposed International Standard on Assurance Engagements (ISAE), ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Proposed Consequential Amendments International Framework for Assurance Engagements, ISAE 3402, Assurance Reports on Controls at a Service Organization, Exposure Draft of Proposed ISAE 3410, Assurance Engagements on Greenhouse Gas Statements.*

Far's general remarks

The types of engagements covered by the proposed ISAE 3000 are almost unlimited and the demand for such engagement is increasing. Far therefore appreciates IAASB's effort to provide more guidance in this area. However, due to the fact that ISAE 3000 covers so many types of assurance engagements, the standard can only explain the area generally, and not in such detail that would help practitioners conduct the engagements consistently in similar situations. Far notes that, in the explanatory memorandum, the IAASB makes a request to respondents to provide the IAASB with examples of assurance engagements being undertaken in practice. Far supports that the proposed ISAE 3000 will thus contain many examples of different types of engagements.

Far's responses to the request for specific comments can be read in the appendix.

Far



Bo Hjalmarsson
Chairman Far Auditing Policy Group

APPENDIX

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?

ISAE 3000 covers all assurance engagements other than audits or reviews of historical financial information. The types of engagements covered by the proposed ISAE 3000 are almost unlimited and the demand for such engagements is, in Far's opinion, increasing. The need of a clarified and improved ISAE 3000 is therefore essential and Far appreciates the IAASB's effort to provide more guidance in this area. Due to the fact that ISAE 3000 covers so many types of assurance engagements, the standard explains many topics generally, and not in such detail that would help practitioners to conduct the engagements consistently in similar situations. Far therefore believes it is necessary to provide examples in the section for application and other explanatory material.

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?

The proposed ISAE 3000 does not give sufficient explanation regarding the difference between reasonable assurance engagements and limited assurance engagements. Far has the following remarks on how the difference between the two types of assurance is dealt with in the proposed ISAE 3000:

Paragraph 8 (a) (i) states that the set of procedures in a limited assurance engagement is limited compared to a reasonable assurance engagement, but that the practitioner in a limited assurance engagement must obtain a level of assurance that is meaningful to the intended users. This definition is similar to the definition in the existing ISAE 3000. The concept of "meaningful" is also discussed in A2. The difference between the two levels is only explained in very general terms in the proposed ISAE 3000, leaving the detailed explanation in the individual engagement to the practitioner's report. Far believes that practitioners need further guidance from the IAASB by examples to enable practitioners to report consistently in similar situations.

Paragraph 36 (materiality), clarified in A84, states that the materiality for a limited assurance engagement is the same as for a reasonable assurance engagement. Far agrees with this view. As discussed in the discussion paper: *The Evolving Nature of Financial Report: Disclosure and Its Audit Implications*, the ISAs would benefit from guidance regarding the concept of materiality in disclosures. Materiality in disclosures in financial statements is, in Far's view, often similar to materiality in assurance engagements regarding other information than historical financial information. Far therefore believes that experiences the IAASB will receive from the discussion paper can also benefit the explanation of materiality in the proposed ISAE 3000.

Paragraph 37 (obtaining evidence) states that in the case of a reasonable assurance engagement, the practitioner shall include an understanding of internal control over the



preparation of the subject matter information. In A93 it is explained that in limited assurance engagements, the practitioner often does not obtain any understanding of the internal control over the preparation of the subject matter information. In Far's response to the proposed ISRE 2400, Engagements to Review Historical Financial Statements, Far presented the following opinion: *"For example, the level of understanding required of the entity or its internal control should not be less [in a limited assurance engagement] than in an audit as that could result in that potential risks of material misstatements are not identified and addressed adequately"*. One strong reason for requiring the same level of understanding in assurance engagements over historical financial information was that otherwise the conclusion made under ISRE 2400 would be based on a lower degree of understanding than when a practitioner applies ISRE 2410. Far believes that regardless of whether an assurance engagement covers historical financial information or other information the practitioner's understanding of internal control shall be the same in the two levels. Far therefore does not agree with how exposure draft ISAE 3000 deals with the practitioner's understanding of internal controls in limited assurance agreements.

Paragraphs 41 and 42 (Assurance procedures) deal with the difference in assurance procedures to be performed in a reasonable assurance engagement and in a limited assurance engagement respectively. The paragraphs explain the difference in assurance procedures generally and more or less only explain that the difference in assurance procedures is that limited assurance requires less procedures than a reasonable assurance engagement but sufficient to obtain a level of assurance that is meaningful to the intended users. Far believe that practitioners need further guidance from the IAASB by examples to enable practitioners to perform assurance procedures consistently in similar situations.

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

Please see Far's response to question 2(a).

(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?

Yes, an understanding of internal control over the preparation of the subject matter information must be equally required in a limited assurance engagement as in a reasonable assurance engagement.

In a direct engagement, the practitioner compiles the subject matter information and provides assurance thereon. In relation to paragraph 37, Far finds it therefore difficult to understand how the practitioner's understanding of internal control over the preparation of the subject matter information, in a direct engagement providing limited assurance, could be less than in a direct engagement providing reasonable assurance. However, as Far has commented above in question 2(a), the level of understanding of internal control should not, in Far's opinion, differ between the two levels of assurance at all.

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"?

Far appreciates that the difference between attestation engagements versus direct engagements is now explained in more detail in the proposed ISAE 3000 and the proposed international framework for assurance engagements. Far has no objection to the changes in terminology.

Practitioners in Sweden generally have a limited knowledge of direct reporting engagements and are in great need of further guidance, in the standard or elsewhere. This is specifically true regarding the practitioner's reporting in a direct engagement and how to deal with the threats to the practitioner's objectivity in direct engagements. Illustrative examples would be helpful. Far has the following specific concerns in relation to the definition of direct engagements:

In relation to paragraph 8(a) (ii) a, i.e. attestation engagements where the practitioner in some cases includes subject matter information in the assurance report, Far believes that such situations need to be further explained in ISAE 3000. For example how they relate to a direct engagement where the practitioner has also measured/evaluated (compiled) the subject matter. A reference could possibly be made, if relevant, to ISA 705 19 (c) where the auditor in some cases shall include disclosures in the auditor's report that are omitted in the financial statements.

In relation to paragraph 8(a) (ii) b, a direct engagement is an engagement where the practitioner both measures/evaluates (compiles) the subject matter information and provides assurance on the information, thus creating a threat to the objectivity of the practitioner which requires safeguards. In A68, the threats to the practitioner's objectivity and possible safeguards are discussed. Separate personnel for the two roles are given as one example that may be applied. Far recommends that the IAASB, in ISAE 3000 paragraph 18 (a), clarify that local jurisdictions may regulate the objectivity threats very differently and occasionally be more demanding than the IESBA Code.

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

No. Please see Far's response to question 3(a).

(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))?

Far has considered the discussion on this subject in the explanatory memorandum page 9. Far agrees that the definition of misstatement from the reader's perspective is appropriate, even though it will not be possible to distinguish whether the misstatement is due to the practitioner's measurement and/or evaluation (compilation) of the subject matter information or a failure to detect the misstatement. As described above in question 3(a), the circumstances around a direct engagement are not familiar to practitioners in Sweden and more guidance will be necessary to enable a consistent application in similar situations.

(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?

Far believes that also in situations when the practitioner in a direct engagement develops the applicable criteria needs to be further explained, especially how it affects the threats to the practitioner's objectivity.

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?

Far agrees that it is appropriate to include a summary of the work performed by the practitioner in the assurance report. Far also agrees with the explanation in A152 that this summary shall normally be more detailed in a limited assurance engagement compared to a reasonable assurance engagement.

A151 of the proposed ISAE 3000 suggests that the summary is normally less detailed where there is a specific ISAE on the subject matter. Far would like to add that the summary may also be less detailed where a national standard covers the subject matter.

(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?

Far agrees that the practitioner's report in, or in relation to, the summary of the work performed shall clearly state that the practitioner's procedures in a limited assurance engagement are limited in relation to a reasonable assurance engagement. However, Far believes that the wording in the proposed ISAE 3000 should be as similar as possible to the corresponding statement in the proposed ISRE 2400. Far recommends that the IAASB reviews the proposed wordings in the two standards.

(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?

Far agrees with the statement, in the proposed ISAE 3000 A150, that there is an infinite number of possible assurance engagements performed under ISAE 3000. Detailed requirements of the level for the summary will therefore not be appropriate in the standard. However, Far believes that guidance based on illustrative examples would be helpful and enable practitioners to prepare their reports consistently in similar situations.

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?



The proposed wording of the practitioner’s conclusion is adequate as a general basis. The practitioner must, based on the circumstances in each engagement and professional judgement, decide the appropriate wording.

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?

Far has no objection in principal to other competent practitioners than professional practitioners in public practice applying the standard. However, ISAE 3000 covers assurance matters in much less detail than is the case in ISA and in the Framework for Assurance Engagements. A thorough understanding of assurance requires, in Far’s opinion, that the practitioner has a deep knowledge of ISA and the Framework. Far therefore recommends that the IAASB, in ISAE 3000 paragraph 2, adds that the ISAE is premised on the basis that a practitioner has a sufficient knowledge of ISA and the Framework.

Also, Far believes that competent practitioners other than professional practitioners in public practice, will be rather limited due to the requirements in paragraph 2 to be subject to parts A and B of the Code of Ethics for Professional Accountants and be a member of a firm that is subject to ISQC 1 or other requirements as demanding as ISQC 1.

(b) Do respondents agree with proposed definition of “practitioner”?

Ideally, the term “practitioner” should have the same meaning in all IAASB standards. The fact that the term “practitioner” has one definition for assurance standards covering historical financial information and another for the assurance standard covering other information (ISAE 3000) is likely to create confusion. Far would recommend that terms used in IAASBs standards have the same definition in all standards.

Comments on Other Matters

The IAASB is also interested in comments on matters set out below.

- *Public Sector—Recognizing 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.*

Far has no specific comment on this matter.

- *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.*

Far has no specific comment on this matter.

- *Additional procedures required in a limited assurance engagement*

Paragraph 42 c explains the situations when a practitioner is required to perform additional procedures, i.e. when “the subject matter information may be misstated”. Far believes that the term “may” is too vague and may be understood by practitioners to mean that additional procedures are required even when the degree of likelihood of misstatements is very low. Far recommends that the term “may” is replaced by “is likely to” or something similar, to better express when further procedures are required.

- *The practitioner’s conclusion*

Paragraph 60 (l) (ii) states that in a reasonable assurance engagement the practitioner’s conclusion shall be expressed in the form of an opinion. By this definition, “opinion” is a subclass of “conclusions” and not a term different from conclusions. Far recommends that the IAASB challenges the present use of the terms “conclusion” versus “opinion”. There may be merits in using them separately in the future also, under the condition that the difference between the two terms is comprehensible to the intended users of the practitioner’s report. Far is not convinced that this is the case.

- *Engagements dealing with more than one subject matter information and different levels of assurance*

There are practice engagements where the practitioner provides assurance over more than one subject matter information in the same assurance report, and in some provides reasonable assurance over some subject matter information and limited assurance over other. A common example of such situations, in Far’s experience, is assurance engagements over sustainability reports. Far recommends the IAASB to also include guidance for performing and reporting on such engagements in ISAE 3000.