



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

12 September 2011

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

Our Ref: 2011/JE/TCSC1/IAASB/117

**Subject: Proposed International Standard on Assurance Engagements 3000 (Revised),  
*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information***

Dear Sir:

The International Organization of Securities Commissions' (IOSCO) Technical Committee Standing Committee No. 1 on Multinational Disclosure and Accounting (SC 1) appreciates the opportunity to comment on the Exposure Draft of the proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (the Paper). As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing and professional standards, other pronouncements and statements.

Members of SC 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns, and pursuit of improved global financial reporting. Our comments in this letter reflect those matters on which we have achieved a consensus among the members of SC 1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.

*Purpose of the Project*

We have reviewed this proposed ISAE from the standpoint of a global standard that would not apply to either audits or reviews of interim or annual historical financial statements of listed companies. As



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such, we have provided limited comments herein based on our general experience with and understanding of attest work and, therefore, have offered only comments that have come to our attention in this regard.

#### *Title*

We observe that the title of the Paper has its genesis in extant ISAE 3000 as issued in 2003. However, we find the title of the Paper to be confusing. As currently written, the title implies that the Paper is to be applied when an auditor is performing assurance services other than audits or reviews on historical financial information. The Board seems to reinforce this view by stating in the Paper that “this International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information, which are dealt with in International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs), respectively.” However, we were not able to identify or describe those other services that an auditor could perform on historical financial information, given our understanding that compilations and agreed-upon-procedures are not covered under this standard because they are not services that yield an assurance report. It would be particularly helpful if the Board could make clear the types of reasonable assurance engagements expected to be undertaken utilizing this standard.

#### *Types of engagement*

The Board should make clearer the expected types of reporting for the engagements covered by this pronouncement. This could be done, for example, by including examples of both reasonable assurance and limited assurance reports as well as of attestation engagements and direct engagements, to help clarify the definition of the various types of engagement. We believe that such examples could make the theoretical concepts more practical and reinforce the purpose and application of the standard.

The proposed ISAE could be more explicit in asserting that reasonable assurance is a high level of assurance, as is stated in ISA 200 paragraph 5.

#### *Consideration of Risk*

We agree that “the consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.” However, from a practical standpoint, we are not sure how a practitioner would utilize the model proposed in which he/she is asked to differentiate between risk procedures to be performed for a reasonable assurance versus a limited assurance engagement. We



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believe this will be difficult to conceptualize particularly for a practitioner who has never or does not expect to perform reasonable assurance engagements. The Board should consider including additional language or examples to better differentiate the types of risk procedures expected to be performed under both reasonable and limited assurance engagements.

#### *Relationship between Limited and Reasonable Assurance Engagements*

The proposed Framework states that “the set of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner’s professional judgment, meaningful to the intended users.” We believe that the concept of “limited assurance” should be more precisely defined and independent of the definition of “reasonable assurance”. While professional accountants and auditors may be more familiar with the concept of “reasonable assurance” due to their involvement with financial statement audits, other practitioners who do not perform audits may not have a similar frame of reference to aid in understanding this concept.

We are also not sure if this sentence refers to a practitioner’s limited choice of procedures to apply or a reduced level of detail or rigor performed by the practitioner as compared to how the procedures are performed in a reasonable assurance engagement. In any respect, as noted in our comment letter on the IAASB Exposure Draft of ISRE 2400, “*Engagements to Review Financial Statements*”, we believe that limited assurance engagements are best defined by the types of procedures performed or expected to be performed versus altering the rigor with which findings from those procedures are considered.

Perhaps the Board could say more in the Framework to assist practitioners having no or limited experience with financial statement audits. The Board could consider developing the Framework by:

1. Providing the reason for the Framework including the way in which the engagements it addresses serve the public interest;
2. Including some background on the concept of reasonable assurance and;
3. Expanding upon how the Framework fits into the Board’s compendium of standards.

#### *The Practitioner’s Understanding of Internal Controls in a Limited Assurance Engagement*

Paragraph 37 of the proposed ISAE limits the requirement for the practitioner to obtain an understanding of internal control over the preparation of the subject matter information to reasonable



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assurance engagements only. To the extent relevant for the assurance opinion, we think that the practitioner should be required to obtain this understanding for limited assurance engagements also.

*Materiality*

The Paper discusses the concept of materiality stating that “materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.” We agree that the purpose of an auditor’s consideration of materiality in either a reasonable or a limited assurance engagement is to judge errors or omissions in the information management is reporting against the requirements of the applicable reporting framework. However, though a practitioner may establish the same level of materiality for a limited assurance as compared to a reasonable assurance engagement, the totality of the procedures performed in a limited assurance engagement will likely differ. Therefore, we believe the final standard may want to make clear that it is the *assessment* of what is found that is the same.

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Thank you for the opportunity to comment on the Paper. If you have any questions or would like to further discuss the matters noted in this letter, please contact either Nigel James or me at 202-551-5300.

Sincerely,

Julie A. Erhardt  
Chair  
Standing Committee No. 1  
International Organization of Securities Commissions