



September 14, 2011

Mr. James Gunn
Technical Director, International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Mr. Gunn:

We appreciate this opportunity to comment on the proposed International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements* (the “proposed standard”), as developed by the International Auditing and Assurance Standards Board (“IAASB”).

We have separated our comments into two sections:

- *Responses to Request for Specific Comment* – this provides comments to the specific questions posed by the IAASB in the explanatory memo.
- *Comments on the Proposed Standard* – this provides other recommendations for additional guidance.

For purposes of our comments, any suggested additions are noted in **bold underline** and deletions are noted in ~~strike through~~.

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?

Yes. We believe the nature and extent of requirements in the proposed standard will enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which the proposed standard will apply. We also believe that the proposed standard will provide a basis for current and future subject-specific ISAEs and will facilitate innovation in the evolving field of assurance.

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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?

Yes. We believe that the proposed standard properly defines, and explains 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?

Yes. We believe that the requirements and other material in the proposed standard are appropriate to both reasonable assurance engagements and limited assurance engagements.

(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?

No. We believe that an important distinction between limited assurance and reasonable assurance engagements is the requirement, for reasonable assurance, 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. We also believe that other important distinctions between limited assurance and reasonable assurance engagements include, for reasonable assurance, the following requirements:

- Identifying and assessing the risks of material misstatements.
- 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.

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”?

Yes. We 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”.

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

Although the proposed standard properly defines, and explains the difference between, direct engagements and attestation engagements, we believe that practitioners and intended users may not clearly understand direct engagements. Practitioners and intended users are likely to be much more familiar with attestation engagements and the concept of the practitioner obtaining sufficient appropriate evidence in order to express a conclusion about whether the subject matter information is free from material misstatement than with direct engagements and the concept of measuring or evaluating the underlying subject matter against the criteria. We believe that revising the presentation of the guidance in paragraphs A4 and A5 to explain direct engagements and the difference between direct engagement and attestation engagements may further clarify practitioners' and intended users' understanding of direct engagements. Additionally, it may be helpful to practitioners and intended users to provide examples within the application material.

(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))?***

Yes. We believe that the practitioner's objective 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)); however, we also believe that clarification of the differences between direct engagements and attestation engagements may further clarify the practitioner's objective for both practitioners and intended users. (Please see our response to question 3(b) above.)

- (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?***

Yes. Although the proposed standard does not include requirements that specifically address the practitioner's selection or development of the applicable criteria in some direct engagements, we believe that the guidance in paragraph A10 that it may be appropriate in such cases 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 in conjunction with the guidance in paragraph A144 regarding the identification of the criteria in the assurance report appropriately addresses such circumstances.

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. We believe the requirement to include a summary of the work performed as the basis for the practitioner's conclusion is appropriate and will help intended users understand the nature of the assurance conveyed by the assurance report; however, we believe that additional guidance regarding the summary of the practitioner's procedures for limited assurance engagements is necessary. (Please see our response to question 4(c) below.)

(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?

Yes. We believe 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, is appropriate and mitigates the risk that the form of conclusion required for a limited assurance engagement may be misunderstood by some users as conveying a level of assurance that is equal to or even higher than that conveyed by a reasonable assurance opinion.

(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?

Yes. We believe that additional guidance regarding the summary of the practitioner's procedures for limited assurance engagements will assist practitioners in achieving a level of consistency and understanding of possible consideration factors that could be applied in developing the summary, including key procedures performed based on the applied criteria defined. Furthermore, additional guidance in the form of illustrative assurance reports for both a limited assurance engagement and a reasonable assurance engagement related to the same subject matter information may be developed.

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?

Yes. We believe that the form of the practitioner's conclusion in a limited assurance engagement communicates adequately the assurance obtained by the practitioner when read in conjunction with (i) the informative summary of the work performed as the basis for the practitioner's conclusion and (ii) the statement that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently 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,.

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?

Yes. While we would not encourage the use of the proposed standard by practitioners other than professional accountants in public practice, we recognize that such practitioners may already be performing assurance engagements of the type envisioned under the proposed standard. Given this fact, we agree that both the public interest and the profession will be better served if all competent practitioners are able to use the proposed standard to benchmark their work effort on assurance engagements. We believe, however, that ISAE 3000 should require that such other assurance providers specifically cite in their assurance reports such other professional requirements, or requirements imposed by laws or regulations, and make an affirmative statement in their assurance reports that such requirements are at least as demanding as the IESBA Code and, accordingly, that paragraph 60(j) be revised to clearly articulate such requirements.

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

Yes, we agree with the proposed definition of “practitioner”.

Comments on the Proposed Standard:

➤ Paragraph 6(a)

We suggest the following wording change to this paragraph to clearly indicate that the practitioner’s objective is to obtain the appropriate level of assurance about whether the subject matter information is free from material misstatement, *whether due to fraud or error*:

*6(a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information (that is, the reported outcome of the measurement or evaluation of the underlying subject matter) is free from material misstatement, **whether due to fraud or error**;*

➤ Paragraph 21

This paragraph states that if the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party; and, if changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement unless required by law or regulation to do so. However, the paragraph goes on to state that an engagement conducted under such circumstances (where law or regulation requires it) does not comply with ISAEs.

We are concerned that there may be situations under law or regulation where a practitioner is both required to accept the engagement and also provide a report stating that the engagement was performed in accordance with the proposed standard. An equivalent statement (that an engagement conducted under such circumstances does not comply with ISAEs) is not included in the ISAs (ISA 210), and accordingly, we believe the sentence should be deleted from the proposed standard.

➤ Paragraph 28(b)

We suggest the following wording changes to this paragraph to clearly refer practitioners to those paragraphs that directly address work performed by a practitioner's expert and work performed by another practitioner or an internal auditor:

20(b)(v) A rational purpose
20(b)(vi) *In the case of a limited assurance engagement, that a meaningful level of assurance can be obtained.*

20(b) Be satisfied that the engagement team will be able to be involved in the work of:
*(i) A practitioner's expert where the work of that expert is to be used **(see also paragraph 45)**; and (Ref: Para. A64–A65)*
*(ii) Another practitioner where the work of that practitioner is to be used **(see also paragraph 46)**, (Ref: Para. A66)*
to an extent that is sufficient to accept responsibility for the conclusion on the subject matter information.

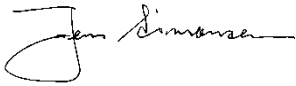
➤ Paragraph A41

We believe that the example included in this paragraph is not an example with suitable criteria against which to measure and evaluate the subject matter. We suggest the following wording change to this paragraph so that the paragraph includes an example with suitable criteria:

*A41 In some cases, the assurance engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to report on one aspect of an entity's contribution to sustainable development, such as ~~a~~ **the number of programs run by an entity that have positive environmental outcomes** **decreased water or energy usage**. In determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter in such cases, it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users, and also how the subject matter information will be presented and distributed, for example, whether there are more significant programs ~~with less favorable outcomes~~ **without decreased water or energy usage** that the entity is not reporting upon.*

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen, Managing Director of Global Audit Services at + 1 212 492 3689.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens Simonsen". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

Jens Simonsen