



International Federation of Accountants

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Agenda Item

H

Committee: IAASB Consultative Advisory Group

Meeting Location: Barcelona

Meeting Date: March 1-2, 2010

Assurance Engagements Other than Audits or Reviews of Historical Financial Information—ISAE 3000—Report Back and Key Issues

Objective of Agenda Item

1. The Objectives of this Agenda Item are:
 - (a) To provide a report back on proposals of Representatives on the Project Proposal to revise ISAE 3000,¹ discussed at the March 9-10, 2009 CAG meeting; and
 - (b) To obtain the Representatives' views on key issues relating to this project.

Papers to be Referred to during Discussion

2. The discussion on this topic will follow the structure of the Key Issues paper at Agenda Item H.1.
3. Hyperlinks to the International Framework for Assurance Engagements, extant ISAE 3000, and March 2010 IAASB agenda papers are presented at the end of this Cover Memo and Report Back for reference only.

Project Status and Timeline

4. The proposal for this project was considered at the March 2009 CAG meeting and subsequently approved at the March 2009 IAASB meeting.
5. The IAASB has since considered two issues papers prepared by the Task Force, and will consider a further paper accompanied by a working draft of revised ISAE 3000 at its March 2010 meeting.
6. The Task Force plans to present a “first read” draft of revised ISAE 3000 at the June 2010 meeting and a “second read” draft for approval as an exposure draft at the September 2010 meeting.

¹ ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

IAASB CAG PAPER

IAASB CAG Agenda (March 2010)

Agenda Item H

Assurance Engagements Other than Audits or Reviews of Historical Financial Information—ISAE 3000—Report Back and Key Issues

Matters for CAG Consideration

7. The issues upon which the Task Force is seeking Representatives' input are outlined in the Key Issues paper at Agenda Item H.1. They relate to common misconceptions about levels of assurance.
8. Also included in that paper are: some background material on the nature of assurance engagements; an indication of the nature and extent of amendments to ISAE 3000 that the Task Force will be proposing; and a request for Representatives to identify the kinds of assurance engagements other than audits or reviews of financial statements with which they are familiar, and to supply copies of assurance reports (whether prepared by accounting professionals or others) of which they are aware for Task Force analysis.

Report Back on March 9-10, 2009 CAG Proposals

9. Below is an extract from the draft minutes of the March 2009 CAG meeting and an indication of how the IAASB Task Force or the IAASB responded to the Representatives' comments.

| Representatives' Comments | Task Force/IAASB Response |
|--|---|
| <ul style="list-style-type: none">Ms. Sucher agreed with the comments in the agenda material that areas which are likely to warrant inclusion in ISAE 3000 are requirements regarding the use of experts, planning, documentation and reporting. Mr. Damant was of the view that separate ISAEs for each of these topics may not be practical. He suggested reference to the ISAs could be made in a manner similar to the additional application material included in the ISAs for SMEs and public sector audits. | <p>Point taken into account.</p> <p>See the summary of the expected nature and extent of amendments to ISAE 3000 in paragraphs 8 and 9 of the Key Issues paper at Agenda Item H.1; in particular paragraphs 9(d) and (e).</p> <p>Based on feedback received on the exposure of ISAE 3402, the IAASB confirmed its view that it is not appropriate to include the requirements of ISAs in the requirements of an ISAE by reference only as this would not result in sufficient clarity as to which requirements of the ISAs should be applied or how they ought to be adapted.</p> |
| <ul style="list-style-type: none">Ms. Blomme suggested a separate ISAE is needed in the area of corporate governance, while noting that in the absence of a topic-specific standard ISAE 3000 would apply. | <p>Point noted.</p> <p>This comment relates to the content of the IAASB's work program, and is therefore beyond the ambit of this project. It is noted, however, that the Task Force is taking into account the fact that ISAE 3000 applies to engagements in the area of corporate governance in the absence of a topic-specific standard.</p> |
| <ul style="list-style-type: none">Mr. Pickeur was of the view that further | <p>Point accepted.</p> |

IAASB CAG PAPER

IAASB CAG Agenda (March 2010)

Agenda Item H

Assurance Engagements Other than Audits or Reviews of Historical Financial Information—ISAE 3000—Report Back and Key Issues

| Representatives' Comments | Task Force/IAASB Response |
|--|---|
| consultation would be necessary to determine the challenges practitioners encounter in trying to apply ISAE 3000 in a variety of situations. | The Task Force has sought feedback from TAC nominees at IAASB on their experience with the implementation of ISAE 3000. A small number of matters have been raised in response, which the Task Force is addressing. Further consultation will occur through the exposure process. |
| <p>Mr. Damant reported that Mr. Diomeda, who could not attend the meeting, sent in the following written correspondence in advance regarding ISAE 3000 and the review and compilation standards to be discussed in the next session:</p> <ul style="list-style-type: none"> EFAA welcomes proposals to update the above international standards for non-audit engagements and to clarify their presentation. | Support noted. |
| <ul style="list-style-type: none"> It is vital that any changes to such standards do not increase the costs of engagements beyond that which is appropriate in the marketplace in relation to small and medium-sized enterprises. | <p>Point accepted.</p> <p>The Task Force agrees that cost should not be increased beyond that which is appropriate in the marketplace for high quality assurance engagements, and has regularly discussed the impact of requirements on the costs of engagements, particularly in relation to SMEs.</p> |
| <ul style="list-style-type: none"> That marketplace is deserving of having a comprehensive range of standards for all the assurance-related engagements carried out by professional accountants. Such standards should be consistent and allow report readers (including audit report readers) to both fully understand the individual engagement, including its level of assurance, and to appreciate the benefits of involvement of a professional accountant. To facilitate this, the IAASB should revise all its non-audit engagement standards (and the Assurance Framework) together. | <p>Point taken into account.</p> <p>This comment relates to the content of the IAASB's work program, and is therefore beyond the ambit of this project. It is noted, however, with respect to allowing "report readers ... to both fully understand the individual engagement, including its level of assurance, and to appreciate the benefits of involvement of a professional accountant" the Task Force agrees the assurance report should be sufficiently clear for readers to fully understand the individual engagement, including its level of assurance. Communicating the benefit of involvement of a professional accountant may, however, be beyond the ambit of this project. Further comment on this by the Representative may be appropriate when the drafting of ISAE 3000 is further advanced.</p> |

IAASB CAG PAPER

IAASB CAG Agenda (March 2010)

Agenda Item H

Assurance Engagements Other than Audits or Reviews of Historical Financial Information—ISAE 3000—Report Back and Key Issues

| Representatives' Comments | Task Force/IAASB Response |
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| <ul style="list-style-type: none"> While 'an audit is an audit,' EFAA recognizes that there may be a need for different standards for non-audit engagements carried out by the auditors of large public interest entities and similar engagements for SMEs. EFAA urges the IAASB to consider the structure of its suite of non-audit engagement standards as well as their individual content. | <p>Point taken into account.</p> <p>This comment relates to the content of the IAASB's Handbook, and is therefore beyond the ambit of this project (refer item on the IAASB's upcoming review of its Strategic Plan and future work program at CAG Agenda Item B). It is noted, however, that the current intention, as discussed in paragraph 9(d) of the Key Issues Paper at Agenda Item H.1 is that ISAE 3000 should be generally applicable in virtually all assurance engagements (in the same way the ISAs are generally applicable in virtually all audits).</p> |

Material Presented

Agenda Item H.1 Assurance Engagements Other than Audits or Reviews of Historical Financial Information – ISAE 3000 – Key Issues

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

International Framework for Assurance Engagements <http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5137>

Extant ISAE 3000 (for reference) <http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5138>

Agenda Item 4-A of the March 2010 IAASB Meeting – Assurance Engagements – Issues and IAASB Task Force Proposals [Link to follow](#)

Agenda Item 3-B of the March 2010 IAASB Meeting – Draft Revised ISA E 3000, [Link to follow](#)