



INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

Limited Assurance

IAASB Consultative Advisory Group

London

14-15 September 2010



Objective of this session

- Overview of the defining characteristics of a limited assurance engagement
- Similarities and differences with agreed upon procedures
- Similarities and differences with reasonable assurance engagements
- Highlighting some of the myths



Limited assurance

Three of IAASB's current projects deal with limited assurance:

CAG Agenda	Topic
D	ISRE 2400, Engagements to review historical financial statements
N	ISAE 3410, Assurance on a greenhouse gas statement
R	ISAE 3000, Assurance engagements other than audits or reviews of historical financial information

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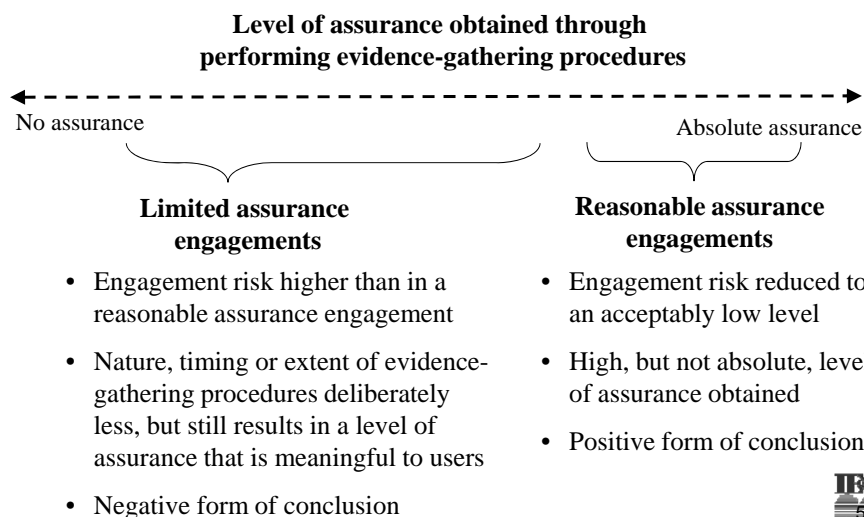


Some commonly held perceptions

- All limited assurance engagements provide the “same” level of limited assurance
- All limited assurance engagements involve the same type of procedures (albeit more limited than for reasonable assurance engagements)
- Even if limited assurance engagements might be different between subject matters, they will be the same for a particular type of subject matter



Concept of limited assurance



Defining characteristics

Procedures to be performed

- Procedures will be deliberately more limited in nature, timing *or* extent than in a reasonable assurance engagement
- A subject matter specific standard may define the procedures ordinarily expected (e.g., primarily inquiry and analytics in ISRE 2400)
- However, judgment will always be required in the context of a particular engagement regarding the specific procedures performed



*Defining characteristics***Planned level of assurance**

- Planned procedures (and the evidence expected to be obtained from them), in effect, define the planned level of assurance
- The planned level of assurance may be difficult to articulate specifically, but nevertheless will be designed to be *meaningful* to the intended users
- To be *meaningful*, need to enhance users' confidence to a degree that is clearly more than inconsequential

*Defining characteristics***Judgments involved**

- Specific procedures to be performed, or where they are directed, based on the understanding obtained
- Also standards define the triggers that require the practitioner to “dig deeper” and perform additional/further procedures
- In addition, if evidence obtained is not as relevant or reliable as expected, need to respond



Defining characteristics

Reporting

- Summary of work performed is particularly important in the report because it is not possible to communicate different levels of assurance clearly and unambiguously
- That summary provides the context for the conclusion that “based on the procedures performed, nothing has come to our attention.....”



Similarities and differences

Agreed upon procedures	Limited assurance engagements
User determines adequacy of the planned procedures to be performed for their own needs	Practitioner determines planned procedures that are designed to result in obtaining a level of assurance that is meaningful to intended users
Practitioner performs requested procedures only	If evidence obtained from the planned procedures so indicates, need to perform additional procedures
Report facts and findings only	Form conclusion about the subject matter information based on the evidence obtained



Similarities and differences

Reasonable assurance engagements	Limited assurance engagements
Understanding of the entity and its environment, <i>including internal control</i> , that is sufficient to provide a robust basis for the identification and assessment of risks of material misstatement.	Understanding of the subject matter and other engagement circumstances <i>that is sufficient</i> to design and perform procedures that will provide planned level of assurance. Usually less extensive and, in particular, may not require understanding of internal control.
Plan further procedures designed to <i>respond</i> to identified and assessed <i>risks</i>	Practitioner plans procedures that are designed to result in obtaining a level of assurance that is meaningful
Perform procedures necessary to obtain sufficient appropriate audit evidence to reduce the risks of material misstatement to an acceptably low level	Perform additional procedures if results indicate that a material misstatement is likely to exist. However, residual risk of undetected misstatements will be higher than in reasonable assurance engagement
Positive form of conclusion	Negative form of conclusion



Myths

- All limited assurance engagements will provide the “same” level of limited assurance
- All limited assurance engagements will involve the same type of procedures
- All limited assurance engagements for a particular type of subject matter need to be the broadly the same



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