

Meeting: IAASB Consultative Advisory Group
Meeting Location: New York
Meeting Date: March 11-12, 2014

Agenda Item **E.1**

Assurance Engagements Other than Audits or Reviews—ISAE 3000 (Revised)

Objective of Agenda Item

- The objective of this Agenda Item is to provide a report back to the Representatives on their comments and questions on proposed ISAE 3000 (Revised) as discussed at the September 2013 CAG meeting.

Project Status and Timeline

- ISAE 3000 (Revised)¹ was approved at the September 2013 IAASB meeting and was released in December 2013. The final ISAE 3000 (Revised) is provided as a CAG Reference Paper, as is the Staff-prepared Basis for Conclusions, which provides an overview of key issues that have been raised during the development of ISAE 3000 (Revised) and how the IAASB has responded.
- Appendix 1 to this paper provides a project history, including links to the relevant CAG documentation.

September 2013 CAG Discussion

- Below are extracts from the draft minutes of the September 2013 CAG meeting,² and an indication of how the project Task Force or IAASB has responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
DIRECT ENGAGEMENTS	
Ms. Lang, speaking as rapporteur of the Working Group (WG) on proposed ISAE 3000 (Revised), commented that while understanding the rationale for removing specific material addressing direct engagements in light of the difficulties encountered, a preference was expressed by the WG that the IAASB continue	Point not accepted. Ms. Mc Cabe noted that the IAASB's decision to remove specific material addressing direct engagements did not preclude application of the ISAE to direct engagements. She noted that the ISAE 3000 Exposure Draft, while more explicit than extant ISAE 3000, did not include a significant

¹ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

² The minutes will be approved at the March 2014 IAASB CAG meeting.

Representatives' Comments	Task Force/IAASB Response
<p>developing a revised ISAE 3000 that included direct engagements. The WG acknowledged that the resulting standard may be more complex and the project would take longer, but she noted that ISAE 3000 was important as an umbrella standard to the ISAE 3000-series standards and as a standard that fosters innovation in assurance engagements. She noted that it was surprising that the IAASB had decided to remove direct engagements from the proposed standard when so few respondents expressed that view, while others supported more detail being provided on direct engagements.</p>	<p>amount of material on direct engagements but that there were calls on exposure for more detail on direct engagements. She highlighted that the Task Force had attempted this, as discussed at the April 2013 IAASB and CAG meetings, but that the IAASB found it difficult to accommodate direct engagements without making the ISAE overly complex and without addressing the fundamental conceptual basis of assurance that had been scoped out of the project. Accordingly, since the language used in proposed ISAE 3000 (Revised) did not resonate with direct engagement practitioners, the Board formed the view that the proposed standard should concentrate on attestation engagements to foster innovation and support the other 3000-series standards. She added that the topic of direct engagements would be considered as the IAASB discusses its future strategy and work plan.</p> <p>Prof. Schilder highlighted that the discussion at the April 2013 IAASB meeting, following earlier educational sessions, was the most informed discussion the IAASB had had on the issue of direct engagements. Some members questioned whether the ISAE was too attestation focused while others questioned how common direct engagements were under extant ISAE 3000. He summarized that the IAASB concluded that there was merit in finalizing the attestation side and taking time to consider the future of work regarding direct engagements.</p> <p>The IAASB agreed that the ISAE should only address attestation engagements. Nonetheless, the IAASB also concluded that the ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances, and has therefore acknowledged this in the final standard.</p> <p><i>See paragraph 2 of ISAE 3000 (Revised).</i></p>
<p>Speaking for Mr. Dalkin, who was absent from</p>	<p>Point accepted.</p>

Representatives' Comments	Task Force/IAASB Response
<p>the session, Mr. Morris indicated that INTOSAI was of a view that the ISAE was moving in the right direction, and that they supported the approach of issuing the standard for attestation engagements rather than engaging in what may be lengthy and difficult discussions to try to continue to incorporate direct engagements. However, Mr. Morris noted that both he and Mr. Dalkin were of the view that the ISAE should not require application to direct engagements, as there was insufficient material to support doing so.</p>	<p>Ms. Mc Cabe noted that, as drafted, it could be read that there were no additional matters that needed to be considered in direct engagements, which was not the intent. Prof. Schilder added that Mr. Morris' comment needed serious consideration, and that it may be seen as unreasonable to mandate application of proposed ISAE 3000 (Revised) to direct engagements without material to support such engagements. However, Prof. Schilder also noted that including reference to direct engagements was needed to ensure that the IAASB retained a presence in this important area of assurance.</p> <p>The IAASB agreed that the ISAE should only address attestation engagements and should not be required to be applied to direct engagements. Rather, the IAASB agreed the final standard should note that the ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances.</p> <p><i>See paragraph 2 of ISAE 3000 (Revised).</i></p>
<p>Mr. Koktvedgaard noted that he did not believe the ISAE was ready for approval, as the IAASB appeared to still be having lengthy discussions about direct engagements. Instead, he supported the IAASB engaging in a comprehensive review of the ISAE, if necessary, to enable the production of an ISAE that supports both attestation and direct engagements. He noted that failing to issue a standard that addressed direct engagements would pass the problems noted in the IAASB's debate to those that have to apply the standard.</p>	<p>Point not accepted.</p> <p>Prof. Schilder noted that the direct engagement aspect of ISAE 3000 is more often used by public sector practitioners, who often have the authority to, and have in practice, set their own standards for direct engagements. He further noted that the IAASB also wanted a standard with both attestation and direct engagements, but had realized that such a project would take at least two years, due to the volume and complexity of the issues that may have to be addressed.</p> <p>The IAASB agreed that the potential need for the IAASB to develop a separate assurance standard addressing direct engagements should be considered in its consultation on its future strategy and work program.</p> <p><i>See page 41 of Agenda Item J.1.</i></p>

Representatives' Comments	Task Force/IAASB Response
INDEPENDENCE IN A DIRECT ENGAGEMENT	
<p>Ms. Lang noted that, while the importance of it may be reduced due to the removal of specific requirements and guidance regarding direct engagements, the topic of how a direct engagement practitioner can be independent was still worthy of being considered.</p> <p>Ms. Blomme agreed with Ms. Lang and noted that the Task Force's acknowledgement that work may be needed in the area indicated that there was doubt as to the adequacy of the existing independence rules for direct engagements.</p>	<p>Point noted.</p> <p>Ms. Mc Cabe responded that the IAASB may pursue a project addressing direct engagements in the future, and that investigating whether the IESBA could pursue a project in this area would aid in avoiding having a misalignment in projects addressing the ethical and assurance aspects of direct engagements. Mr. Sylph noted that the normal understanding of independence for public sector auditors, who more commonly perform direct engagements, differs from private sector auditors. Mr. Sylph added that there may be merit in considering whether further work is needed on auditor independence in the public sector more broadly. Prof. Schilder agreed, noting that he had taken the opportunity to familiarize himself better with the long-form reports used in direct engagements and could understand the value in re-evaluating independence considerations for such engagements.</p> <p>The IAASB held discussions with the IESBA with respect to the concept of independence in direct engagements. The independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 291 of the <i>Code of Ethics for Professional Accountants</i> issued by the IESBA and therefore do not need to be addressed in ISAE 3000 (Revised).</p>
<p>Mr. Koltvedgaard asked whether the practitioner needed to be independent in all assurance engagements, and whether it was possible to do an assurance engagement under proposed ISAE 3000 (Revised) if the practitioner was objective but not independent.</p>	<p>Point accepted.</p> <p>Ms. Mc Cabe responded that proposed ISAE 3000 (Revised) is premised on the practitioner being subject to relevant ethical requirements and being a member of a firm that applies quality control requirements. Accordingly, a practitioner that is not independent would not be able to perform an engagement under proposed ISAE 3000 (Revised).</p>

Matters for CAG Consideration

5. The Representatives are asked to note the Report Back above.

IAASB Interaction with the IAASB CAG

6. This Report Back serves as the final update to the CAG Representatives on this project. There are no issues being raised at this time, as ISAE 3000 (Revised) has now been finalized.

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Final ISAE 3000 (Revised) – Released
December 2013

www.ifac.org/publications-resources/international-standard-assurance-engagements-isae-3000-revised-assurance-engagements

Staff-prepared Basis for Conclusions on ISAE
3000 (Revised)

www.ifac.org/sites/default/files/publications/files/ISAE-3000-Basis-for-Conclusions.pdf

Project History

Project: Proposed ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information

Summary

	CAG Meeting	IAASB Meeting
Project Commencement	March 2009	March 2009
Development of Proposed International Standard (up to Exposure)	March 2010 September 2010 March 2011	June 2009 December 2009 March 2010 June 2010 September 2010 December 2010 March 2011
Exposure	March 2011 – September 2011	
Consideration of Respondents' Comments on Exposure	March 2012 (Update) September 2012 April 2013	June 2012 September 2012 December 2012 February 2013 April 2013
Final Approval of Proposed Standard	September 2013	September 2013

CAG Discussions: Detailed References

Project Commencement	<p><u>March 2009</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4655</p> <p>See CAG meeting minutes (part of Agenda Item G of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589</p> <p>See report back on March 2009 CAG meeting (in paragraph 9 of the following</p>
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	<p>material):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5265</p>
<p>Development of Proposed International Standard (Up to Exposure)</p>	<p><u>March 2010</u></p> <p>See IAASB CAG meeting material:</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5266</p> <p>See CAG meeting minutes (in Agenda H of the following material):</p> <p>http://www.ifac.org/IAASB/Meeting-Minutes.php?MID=0211</p> <p>See report back on March 2010 CAG meeting (in paragraph 7 of the following material):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5695</p> <p><u>September 2010</u></p> <p>See IAASB CAG meeting material:</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5695</p> <p>See CAG meeting minutes (in Agenda Item R of the following material):</p> <p>http://www.ifac.org/sites/default/files/meetings/files/5946_0.pdf</p> <p>See report back on September 2010 meeting (in paragraph 6 of the following material):</p> <p>http://www.ifac.org/sites/default/files/meetings/files/6025_0.pdf</p>
<p>Consideration of Respondents' Comments</p>	<p><u>March 2012</u></p> <p>See IAASB CAG meeting material (Update):</p> <p>http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-AgendaItem_E6-Project_Updates-v2.pdf</p> <p>See CAG meeting minutes (in Agenda Item E of the following material):</p> <p>http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_Draft_March%202012_Public%20Minutes-final-marked.pdf</p> <p><u>September 2012</u></p> <p>See IAASB CAG meeting material:</p> <p>http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_D-ISA-3000-v2.pdf</p> <p>See CAG meeting minutes (in Agenda Item D of the following material):</p> <p>http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_Draft_March%202012_Public%20Minutes-final-marked.pdf</p> <p><u>April 2013</u></p>

See IAASB CAG meeting material:

http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-CAG-Agenda_Item_F-1-Presentation.pdf

http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-CAG-Agenda_Item_F-1SAE-3000-final.pdf

See CAG meeting minutes (in Agenda Item F of the following material):

<http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf>

September 2013

See IAASB CAG meeting material:

http://www.ifac.org/sites/default/files/meetings/files/20130910-IAASB-CAG-Agenda_Item_E-1SAE-3000-Cover-final.pdf

http://www.ifac.org/sites/default/files/meetings/files/20130910-IAASB-CAG-Agenda_Item_E-1-1SAE-3000-final.pdf

See report back on September 2013 CAG meeting in paragraph 4 of this paper.

See draft September 2013 CAG meeting minutes at Agenda Item A.