

DRAFT INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS**Introduction**

1. This Framework is issued by the IAASB solely to facilitate understanding of the elements and objectives of an assurance engagement in general and the engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply. This Framework is intended to be descriptive, rather than prescriptive. It provides a frame of reference for:
 - (a) “Practitioners” who perform assurance engagements;
 - (b) Others involved with assurance engagements, including the intended users of an assurance report and those engaging a practitioner (the “engaging party”); and
 - (c) The International Auditing and Assurance Standards Board (IAASB) in its development of ISAs, ISREs and ISAEs (hereinafter referred to as Assurance Standards) and related documents.
2. This Framework is not a Standard and, accordingly, does not establish any basic principles or essential procedures, or contain any requirements for the performance of audits, reviews, or other assurance engagements. An assurance report cannot, therefore, claim that an engagement has been conducted in accordance with this Framework, but rather should refer to relevant Assurance Standards. Assurance Standards contain objectives, requirements application and other explanatory material, introductory material and definitions that are consistent with this Framework, and are to be applied in audit, review, and other assurance engagements.¹ (See also Appendix 1.)
3. The following is an overview of this Framework:
 - *Introduction:* This Framework deals with assurance engagements performed by practitioners. It provides a frame of reference for practitioners and others involved with assurance engagements.
 - *Description of assurance engagements:* This section describes assurance engagements and distinguishes direct engagements from attestation engagements, and reasonable assurance engagements from limited assurance engagements.
 - *Scope of the Framework:* This section distinguishes assurance engagements from other engagements, such as consulting engagements.
 - *Preconditions for an Assurance Engagement:* This section sets out preconditions for a practitioner to accept an assurance engagement.
 - *Elements of an assurance engagement:* This section identifies and discusses five elements assurance engagements exhibit: a three party relationship, an underlying subject matter, criteria, evidence and an assurance report. It further explains

¹ See the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*

important distinctions between reasonable assurance engagements and limited assurance engagements (also outlined in Appendix 3). This section also discusses, for example, the significant variation in the underlying subject matters of assurance engagements, the required characteristics of suitable criteria, the role of risk and materiality in assurance engagements, and how conclusions are expressed in reasonable assurance engagements and in limited assurance engagement.

- *Inappropriate use of the practitioner’s name*: This section discusses implications of a practitioner’s association with an underlying subject matter or with subject matter information.

Ethical Principles and Quality Control Standards

4. Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being an integral part of high quality assurance engagements that are in the public interest. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:
 - (a) The members of the engagement team and the engagement quality control reviewer, if applicable, are subject to Parts A and B of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code), or other professional requirements, or requirements in laws or regulations, that are at least demanding as Parts A and B of the IESBA Code; and
 - (b) The firm of which the practitioner performing the engagement is a member is subject to International Standards on Quality Control 1 (ISQC 1), or other professional requirements, or requirements in laws or regulations, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as ISQC 1.²

The IESBA Code

5. Part A of the IESBA Code sets out the following fundamental ethical principles with which the practitioner is required to comply:
 - (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behavior.
6. Part B of the Code, which applies only to professional accountants in public practice, includes a conceptual approach to independence that takes into account, for each assurance engagement, threats to independence, accepted safeguards and the public interest. It requires firms and members of assurance teams to identify and evaluate

² “Firm” should be read as referring to the public sector equivalent where relevant.

circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or to reduce them to an acceptable level by the application of safeguards.

ISQC 1

7. ISQC 1 deals with the firm’s responsibilities to establish and maintain its system of quality control for assurance engagements. Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm’s personnel:
 - (a) Leadership responsibilities for quality within the firm;
 - (b) Relevant ethical requirements;
 - (c) Acceptance and continuance of client relationships and specific engagements;
 - (d) Human resources;
 - (e) Engagement performance; and
 - (f) Monitoring.

Description of Assurance Engagements

8. “An assurance engagement” is an engagement in which a practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
9. The outcome of the measurement or evaluation of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter. For example:
 - The preparation and presentation of financial statements (outcome) result from measuring an entity’s financial position, financial performance and cash flows (underlying subject matter) by applying a financial reporting framework, such as International Financial Reporting Standards (criteria).
 - A statement about the effectiveness of internal control (outcome) results from evaluating the effectiveness of an entity’s internal control process (underlying subject matter) by applying criteria such as those described in ISAE 3402.³
 - Entity-specific Key Performance Indicators (outcome) result from measuring various aspects of performance (underlying subject matter) by applying relevant measurement methodologies (criteria).
 - A greenhouse gas statement (outcome) result from measuring an entity’s greenhouse emissions (underlying subject matter) by applying recognition, measurement and presentation protocols (criteria).

³ ISAE 3402, [*Assurance Reports on Controls at a Service Organization*](#)

- A statement about compliance (outcome) results from evaluating the compliance of an entity (underlying subject matter) with, for example, laws and regulations (criteria).

In the remainder of this Framework, the term “subject matter information” will be used to mean the outcome of the measurement or evaluation of an underlying subject matter. It is the subject matter information about which the practitioner gathers sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in an assurance report.

Attestation Engagements and Direct Engagements

10. In an attestation engagement, a measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.
11. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information, which the practitioner presents as part of, or accompanying, the assurance report. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also applies assurance skills and techniques to obtain sufficient appropriate evidence about the outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria. The practitioner often obtains that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation. (See also Appendix 2.)

Reasonable Assurance Engagements and Limited Assurance Engagements

12. Under this Framework, a practitioner may perform a reasonable assurance engagement or a limited assurance engagement. In a reasonable assurance engagement the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for positive form of expression of the practitioner’s conclusion. In a limited assurance engagement the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. This is achieved by performing a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is meaningful to the intended users. The assurance report communicates the limited nature of the assurance obtained and expresses the conclusion in a form that conveys the fact that, 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. (See also Appendix 3.)

Scope of the Framework

13. Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that are not consistent with the description in paragraph 8 above (and therefore are not covered by this Framework) include:
 - Engagements covered by International Standards for Related Services, such as agreed-upon procedures engagements and compilations of financial or other information.⁴
 - The preparation of tax returns where no conclusion conveying assurance is expressed.
 - Consulting (or advisory) engagements,⁵ such as management and tax consulting.
14. An assurance engagement may be part of a larger engagement, for example, when a business acquisition consulting engagement includes a requirement to convey assurance regarding historical or prospective financial information. In such circumstances, this Framework is relevant only to the assurance portion of the engagement.
15. The following engagements, which may be description in paragraph 8, are not considered assurance engagements in terms of this Framework:
 - (a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and
 - (b) Engagements that include professional opinions, views or wording from which a user may derive some assurance, if all of the following apply:
 - (i) Those opinions, views or wording are merely incidental to the overall engagement;
 - (ii) Any written report issued is expressly restricted for use by only the intended users specified in the report;
 - (iii) Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and
 - (iv) The engagement is not represented as an assurance engagement in the professional accountant's report.

⁴ ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, and ISRS 4410, *Engagements to Compile Financial Information*

⁵ Consulting engagements employ a professional accountant's technical skills, education, observations, experiences, and knowledge of the consulting process. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or "long form") style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the professional accountant and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

Reports on Non-Assurance Engagements

16. A practitioner reporting on an engagement that is not an assurance engagement within the scope of this Framework, clearly distinguishes that report from an assurance report. So as not to confuse users, a report that is not an assurance report avoids, for example:
 - Implying compliance with this Framework, or with Assurance Standards.
 - Inappropriately using the words “assurance,” “audit” or “review.”
 - Including a statement that could reasonably be mistaken for a conclusion designed to enhance the degree of confidence of intended users about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
17. The practitioner and the responsible party may agree to apply the principles of this Framework to an engagement when there are no intended users other than the responsible party but where all other requirements of the Assurance Standards are met. In such cases, the practitioner’s report includes a statement restricting the use of the report to the responsible party.

Preconditions for an Assurance Engagement

18. The following preconditions for an assurance engagement are relevant when considering whether an assurance engagement is to be accepted or continued:
 - (a) The roles and responsibilities of the parties to the engagement are appropriate; and
 - (b) The engagement exhibits all of the following characteristics:
 - (i) The underlying subject matter is appropriate;
 - (ii) The criteria to be applied in the preparation of the subject matter information are suitable and will be available to the intended users;
 - (iii) The practitioner will have access to the evidence needed to support the practitioner’s conclusion;
 - (iv) The practitioner’s conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
 - (v) There is a rational purpose for the engagement.
19. When a potential engagement cannot be accepted as an assurance engagement, the engaging party may be able to identify a different engagement that will meet the needs of intended users. For example:
 - (a) If the original criteria were not suitable, an assurance engagement that meets the preconditions in paragraph 18 may still be performed if:
 - (i) The engaging party can identify an aspect of the original underlying subject matter for which those criteria are suitable. In such cases, the practitioner could perform an assurance engagement with respect to that aspect as an underlying subject matter in its own right, with the assurance report making it clear that it does not relate to the original underlying subject matter in its entirety; or

- (ii) Alternative criteria suitable for the underlying original subject matter can be selected or developed.
 - (b) The engaging party may request an engagement that is not an assurance engagement, such as a consulting or an agreed-upon procedures engagement.
20. Having been accepted, it is not appropriate to change an assurance engagement to a non-assurance engagement, or a reasonable assurance engagement to a limited assurance engagement, without reasonable justification. A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement. If such a change is made, evidence that was obtained prior to the change is not disregarded.

Elements of an Assurance Engagement

21. The following elements of an assurance engagement are discussed in this section:
- (a) A three party relationship involving a practitioner, a responsible party, and intended users;
 - (b) An appropriate underlying subject matter;
 - (c) Suitable criteria;
 - (d) Sufficient appropriate evidence; and
 - (e) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

Three Party Relationship

22. Assurance engagements involve three separate parties: a practitioner, a responsible party and intended users. (See also Appendix 4.)
23. The responsible party and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

Practitioner

24. The "practitioner" is the individual or individuals conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm) by applying assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material

misstatement.⁶ In a direct engagement, the practitioner both measures or evaluates the underlying subject matter against the criteria and applies assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the outcome of that measurement or evaluation is free from material misstatement.

25. If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with an Assurance Standard, it is important to recognize that those Standards include requirements that reflect the premise in the paragraph 4 regarding the IESBA Code and ISQC 1, or other professional requirements, or requirements in laws or regulations that are at least as demanding.
26. A practitioner may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialized skills and knowledge beyond those ordinarily possessed by an individual practitioner. In such cases, those persons carrying out the engagement collectively need to have appropriate competence and capabilities and the engagement team needs to be able to be sufficiently involved in the work of the practitioner's expert, and to obtain the evidence necessary to conclude whether the work of that expert is adequate for the practitioner's purposes. An engagement is not accepted if preliminary knowledge of the engagement circumstances indicates that ethical requirements regarding competence will not be satisfied. In some cases, these requirements can be satisfied by the practitioner using the work of a practitioner's expert. The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's expert. Nonetheless, if the practitioner using the work of a practitioner's expert, having followed the relevant Assurance Standards, concludes that the work of that expert is adequate for the practitioner's purposes, the practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

Responsible Party

27. The responsible party is the party responsible for the underlying subject matter. In an attestation engagement, the responsible party is also responsible for the subject matter information. The responsible party may or may not be the party that engages the practitioner to perform the assurance engagement (the engaging party).

Intended Users

28. The intended users are the individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.
29. In some cases there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people will have access to it. In such cases, particularly where possible readers are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major

⁶ "Engagement partner," and "firm" should be read as referring to their public sector equivalents where relevant.

stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by law.

30. Intended users or their representatives may be directly involved with the practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an agreed-upon procedures engagement (which involves reporting factual findings based upon the procedures, rather than a conclusion):
 - (a) The practitioner is responsible for determining the nature, timing and extent of procedures; and
 - (b) The practitioner may need to perform additional procedures if information comes to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based.
31. In some cases, intended users (for example, bankers and regulators) impose a requirement on, or request, an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for a specific purpose, the assurance report includes a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular reader or purpose, does not itself indicate that a legal responsibility is owed by the practitioner in relation to that reader or for that purpose. Whether a legal responsibility is owed will depend on the circumstances of each case and the relevant jurisdiction.

Underlying Subject Matter

32. The underlying subject matter of an assurance engagement can take many forms, such as:
 - Historical financial performance or condition (for example, historical financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in financial statements.
 - Future financial performance or condition (for example, prospective financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in a financial forecast or projection.
 - Non-financial performance or conditions (for example, performance of an entity) for which the subject matter information may be key indicators of efficiency and effectiveness.
 - Physical characteristics (for example, capacity of a facility) for which the subject matter information may be a specifications document.

- Systems and processes (for example, an entity’s internal control or IT system) for which the subject matter information may be a statement about effectiveness.
- Behavior (for example, corporate governance, compliance with regulation, human resource practices) for which the subject matter information may be a statement of compliance or a statement of effectiveness.

Appendix 5 shows a categorization of the range of possible underlying subject matters with some examples.

33. Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the:
- (a) Precision with which the underlying subject matter can be measured or evaluated against criteria; and
 - (b) The persuasiveness of available evidence.

The assurance report may note characteristics that are of particular relevance to the intended users.

34. The appropriateness of an underlying subject matter is not affected by the level of assurance, that is, if an underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. An appropriate underlying subject matter is:
- (a) Identifiable, and capable of consistent measurement or evaluation against the identified criteria; and
 - (b) Such that the information about it can be subjected to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

Criteria

35. Criteria are the benchmarks used to measure or evaluate the underlying subject matter including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal, for example in the preparation of financial statements, the criteria may be International Financial Reporting Standards or International Public Sector Accounting Standards; when reporting on the operating effectiveness of internal controls, the criteria may be based on an established internal control framework or individual control objectives specifically designed for the purpose; and when reporting on compliance, the criteria may be the applicable law, regulation or contract. Examples of less formal criteria are an internally developed code of conduct or an agreed level of performance (such as the number of times a particular committee is expected to meet in a year).
36. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is,

relevant to the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the underlying subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase.

37. Suitable criteria exhibit the following characteristics:
- (a) **Relevance:** relevant criteria result in subject matter information that assist decision-making by the intended users.
 - (b) **Completeness:** criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions by the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
 - (c) **Reliability:** reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.
 - (d) **Neutrality:** neutral criteria result in subject matter information that is free from bias.
 - (e) **Understandability:** understandable criteria result in subject matter information that can be understood by the intended users.

Vague descriptions of expectations or judgments or of an individual practitioner's experiences do not constitute suitable criteria.

38. The relative importance of each of the above characteristics when assessing the suitability of criteria to a particular engagement is a matter of professional judgment. The suitability of criteria is not affected by the level of assurance, i.e., if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Criteria may be prescribed by laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process (established criteria). Other criteria may be specifically developed for the purpose of preparing the subject matter information in the particular circumstances of the engagement. Whether criteria are established or specifically developed affects the work needed to assess their suitability for a particular engagement, for example, in the absence of indications to the contrary, established criteria are presumed to be suitable if they are relevant to the intended users' information needs.
39. Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:
- (a) Publicly.
 - (b) Through inclusion in a clear manner in the presentation of the subject matter information.

- (c) Through inclusion in a clear manner in the assurance report.
 - (d) By general understanding, for example the criterion for measuring time in hours and minutes.
- 40 Criteria may also be available only to specific intended users, for example the terms of a contract, or criteria issued by an industry association that are available only to those in the industry because they are relevant only to a specific purpose. (See also paragraph 31)

Evidence

41. Assurance engagements are planned and performed with an attitude of professional skepticism to obtain sufficient appropriate evidence about whether the subject matter information is free of material misstatement. Professional judgment needs to be exercised in considering materiality, engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing and extent of procedures.

Professional Skepticism

42. Professional skepticism is an attitude that includes being alert to, for example, evidence that is inconsistent with other evidence obtained, information that calls into question the reliability of documents and responses to inquiries to be used as evidence, and circumstances that suggest the need for procedures in addition to those required by relevant Assurance Standards.. Maintaining professional skepticism throughout the engagement is necessary to, for example, reduce the risk of overlooking unusual circumstances, of over generalizing when drawing conclusions from observations, and of using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.
43. Professional skepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.
44. Unless the engagement involves assurance about the genuineness of documents, records and documents may be accepted as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner considers the reliability of information to be used as evidence.
45. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism.

Professional Judgment

46. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and the Assurance Standards and the informed decisions required throughout the engagement cannot be

made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:

- Materiality and engagement risk.
 - The nature, timing, and extent of procedures used to meet the requirements of the Assurance Standards and obtain evidence.
 - Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the overall objectives of relevant Assurance Standards.
 - In the case of a direct engagement, applying the criteria to the subject matter, and if the practitioner selects or develops the applicable criteria, selecting or developing them. In the case of an attestation engagement, evaluating such judgments made by others.
 - The appropriate conclusions to draw based on the evidence obtained.
47. The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.
48. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm assist the practitioner in making informed and reasonable judgments.
49. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's assurance report.
50. Professional judgment needs to be exercised throughout the engagement. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Sufficiency and Appropriateness of Evidence

51. The sufficiency and appropriateness of evidence are interrelated. Sufficiency is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of the subject matter information being materially misstated (the higher the risks, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality.
52. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the conclusions on which the practitioner's conclusion is based.
53. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability

of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to the entity, circumstances may exist that could affect its reliability. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:

- Evidence is more reliable when it is obtained from independent sources outside the entity.
 - Evidence that is generated internally is more reliable when the related controls are effective.
 - Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of what was discussed).
54. More assurance is ordinarily obtained from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining evidence from different sources or of a different nature may either corroborate other evidence or indicate that an individual item of evidence is not reliable. When evidence obtained from one source is inconsistent with that obtained from another, it is necessary to determine what additional procedures are needed to resolve the inconsistency.
55. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter information covering a period than about subject matter information at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement; the practitioner provides no conclusion about whether the process will continue to function in the specified manner in the future.
56. Whether sufficient appropriate evidence has been obtained to enable the practitioner to draw reasonable conclusions on which to base the practitioner's conclusion is a matter of professional judgment, which involves considering the relationship between the cost of obtaining evidence and the usefulness of the information obtained. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

Materiality

57. Materiality is relevant when planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures, and when evaluating whether the subject matter information is free of misstatement. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, materiality for a reasonable assurance

engagement is the same as for a limited assurance engagement because both are based on the information needs of intended users.

58. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The practitioner's consideration of materiality is a matter of professional judgment, and is affected by the practitioner's perception of the common information needs of intended users as a group. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.
59. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative and quantitative factors when considering materiality in a particular engagement is a matter for professional judgment.
60. Materiality relates to the information covered by the practitioner assurance report. Therefore, when the engagement covers some, but not all aspects of the subject matter information, materiality is considered in relation to only that portion of the subject matter information that is covered by the engagement.

Engagement Risk

61. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. This occurs when the subject matter information does not properly reflect the application of the criteria to measure or evaluate the underlying subject matter, for example, when an entity's financial statements do not give a true and fair view of (or present fairly, in all material respects) its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards, or when an entity's statement that its internal control is effective is not fairly stated, in all material respects, based on the criteria in ISAE 3402.
62. Engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. Engagement risk does not refer to or include the practitioner's business risks such as loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on.
63. Reducing engagement risk to zero is very rarely attainable or cost beneficial and, therefore, "reasonable assurance" is less than absolute assurance, as a result of factors such as the following:
 - The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.
 - The use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence.

- In some cases, the characteristics of the subject matter when measured or evaluated against the applicable criteria.
64. In general, engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:
- (a) Risks that the practitioner does not directly influence, which may consist of:
 - (i) The susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk); and
 - (ii) In the case of an attestation engagement, the risk that a material misstatement that occurs in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the entity's internal control (control risk); and
 - (b) Risks that the practitioner does directly influence, which may consist of:
 - (i) The risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk); and
 - (ii) In the case of a direct engagement, the risks associated with the practitioner's measurement or evaluation of the subject matter against the applicable criteria.
65. The degree to which each of these components is relevant to the engagement is affected by the engagement circumstances, in particular:
- The nature of the underlying subject matter and the subject matter information. For example, the concept of control risk may be more useful when the underlying subject matter relates to the preparation of information about an entity's performance than when it relates to information about the effectiveness of a controls or the existence of a physical condition.
 - Whether a reasonable assurance or a limited assurance engagement is being performed. For example, in some limited assurance attestation engagements the practitioner may decide to obtain evidence by means other than tests of controls, in which case consideration of control risk may be less relevant than in a reasonable assurance attestation engagement on the same subject matter information.
 - Whether it is a direct engagement or an attestation engagement. As noted in the previous paragraph, while the concept of control risk is relevant to attestation engagements, the broader concept of measurement or evaluation risk is relevant to direct engagements.

The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

Nature, Timing and Extent of Procedures

66. The exact nature, timing and extent of procedures will vary from one engagement to the next. For many assurance engagements, infinite variations in procedures are possible in theory. In practice, however, these are difficult to communicate clearly and unambiguously.

67. Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances.
68. A reasonable assurance engagement involves:
 - (a) Based on an understanding of the underlying subject matter and other engagement circumstances, identifying and assessing the risks of material misstatement;
 - (b) 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.; and
 - (c) Based on the procedures performed and the evidence obtained, evaluating before the completion of the engagement whether the earlier assessment of the risks that the subject matter information may be materially misstated remain appropriate.
69. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are, however, deliberately limited relative to a reasonable assurance engagement. For some underlying subject matters, there may be specific pronouncements to provide guidance on procedures for gathering sufficient appropriate evidence for a limited assurance engagement. For example, ISRE 2400, “Engagements to Review Financial Statements” establishes that sufficient appropriate evidence for reviews of financial statements is obtained primarily through analytical procedures and inquiries. In the absence of a relevant pronouncement, the procedures for gathering sufficient appropriate evidence may or may not primarily be analytical procedures and inquiries and will vary with the circumstances of the engagement, in particular, the underlying subject matter, and the needs of the intended users and the engaging party, including relevant time and cost constraints.
70. A limited assurance engagement involves:
 - (a) Based on an understanding of the underlying subject matter and other engagement circumstances, and consideration of risks of material misstatement, determining the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users;
 - (b) Performing those procedures; and
 - (c) Design and perform additional procedures as appropriate if the practitioner becomes aware of a matter that causes the practitioner to believe the subject matter information may be materially misstated.

Quantity and Quality of Available Evidence

71. The quantity or quality of available evidence is affected by:
 - (a) The characteristics of the underlying subject matter and subject matter information. For example, less objective evidence might be expected when the subject matter information is future oriented rather than historical (see paragraph 33); and

- (b) Other circumstances such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the practitioner's appointment, an entity's document retention policy, or a restriction imposed by the responsible party.

Ordinarily, available evidence will be persuasive rather than conclusive.

- 72. An unqualified conclusion is not appropriate for either a reasonable assurance or a limited assurance engagement when:
 - (a) Circumstances prevent the practitioner from obtaining evidence required to reduce engagement risk to the appropriate level; or
 - (b) A party to the engagement imposes a restriction that prevents the practitioner from obtaining evidence required to reduce engagement risk to the appropriate level.

Assurance Report

- 73. The practitioner forms a conclusion on the basis of the evidence obtained, and provides a written report containing a clear expression of that conclusion that conveys the assurance obtained about the subject matter information. Assurance Standards establish basic elements for assurance reports. In addition, the practitioner considers other reporting responsibilities, including communicating with those charged with governance when it is appropriate to do so.
- 74. In an attestation assurance engagement, the practitioner's conclusion can be worded either:
 - (a) In terms of a statement made by the measurer or evaluator, that is, the party responsible for measuring or evaluating the underlying subject matter (for example: "In our opinion the responsible party's statement that internal control is effective, in all material respects, based on XYZ criteria, is fairly stated"); or
 - (b) In terms of the underlying subject matter and the criteria (for example: "In our opinion internal control is effective, in all material respects, based on XYZ criteria").

In a direct engagement, the practitioner's conclusion is worded as for (b) above, that is in terms of the underlying subject matter and the criteria.

- 75. In a reasonable assurance engagement, the practitioner's conclusion is expressed in the positive form, for example: "In our opinion internal control is effective, in all material respects, based on *XYZ criteria*." This form of expression conveys "reasonable assurance." Having performed procedures of a nature, timing and extent that were reasonable given the characteristics of the underlying subject matter and other relevant engagement circumstances described in the assurance report, the practitioner has obtained sufficient appropriate evidence to reduce engagement risk to an acceptably low level.
- 76. In a limited assurance engagement, the practitioner's conclusion is expressed in a form that conveys the fact that, 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, for example, "Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on *XYZ criteria*." This form of expression conveys a level of

- “limited assurance” that is commensurate with the level of the practitioner’s procedures given the characteristics of the underlying subject matter and other engagement circumstances described in the assurance report.
77. Where the subject matter information is made up of a number of aspects, separate conclusions may be provided on each aspect. While not all such conclusions need to relate to the same level of assurance, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement.
78. The practitioner’s conclusion is modified when the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material:
- (a) The practitioner is unable to obtain sufficient appropriate evidence in the context of the engagement, in which case a scope limitation exists and a qualified conclusion or a disclaimer of conclusion is expressed depending on how material or pervasive the limitation is. In some cases the practitioner considers withdrawing from the engagement.
 - (b) A qualified or adverse conclusion is expressed, depending on how material or pervasive the matter is, When:
 - (i) The practitioner’s conclusion is worded in terms of a statement made by the measurer or evaluator, and that statement is incorrect, in a material respect; or
 - (ii) The practitioner’s conclusion is worded in terms of the underlying subject matter and the criteria, and the subject matter information is not free from material misstatement. In those direct engagements where the subject matter information is presented only in the practitioner’s conclusion, and the practitioner concludes that the subject matter information does not, in all material respects, conform with the criteria, for example: “In our opinion, except for [...], internal control is effective, in all material respects, based on *XYZ criteria*,” such a conclusion would also be considered to be qualified (or adverse as appropriate).
79. A qualified conclusion is expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates.
80. In those cases where the practitioner’s unqualified conclusion would be worded in terms of a statement made by the measurer or evaluator, and that statement has identified and properly described that the subject matter information is materially misstated:
- (a) A qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria is expressed; or
 - (b) If specifically required by the terms of the engagement to word the conclusion in terms of statement made by the measurer or evaluator, an unqualified conclusion is expressed but emphasizes the matter by specifically referring to it in the assurance report.
81. When it is discovered after the engagement has been accepted that the criteria are unsuitable or the underlying subject matter is not appropriate for an assurance engagement:

- (a) A qualified conclusion or adverse conclusion is expressed depending on how material or pervasive the matter is, when the unsuitable criteria or inappropriate underlying subject matter is likely to mislead the intended users; or
- (b) A qualified conclusion or a disclaimer of conclusion is expressed depending on how material or pervasive the matter is, in other cases.

In some cases the practitioner considers withdrawing from the engagement.

82. A qualified conclusion is expressed when the effects, or possible effects, of a matter are not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion is expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates.

Other Communication Responsibilities

83. In some cases, pursuant to the terms of the engagement and other engagement circumstances, matters may come to the attention of the practitioner that the practitioner communicates with management or those charged with governance of the entity, another party to the engagement, or others.

Documentation

84. Engagement documentation provides a record of the basis for the assurance report when it is prepared on a timely basis and is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand:
- (a) The nature, timing and extent of the procedures performed to comply with the Assurance Standards and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the evidence obtained; and
 - (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
85. Engagement documentation includes how the practitioner addressed any inconsistency between information identified by the practitioner and the practitioner’s final conclusion regarding a significant matter.

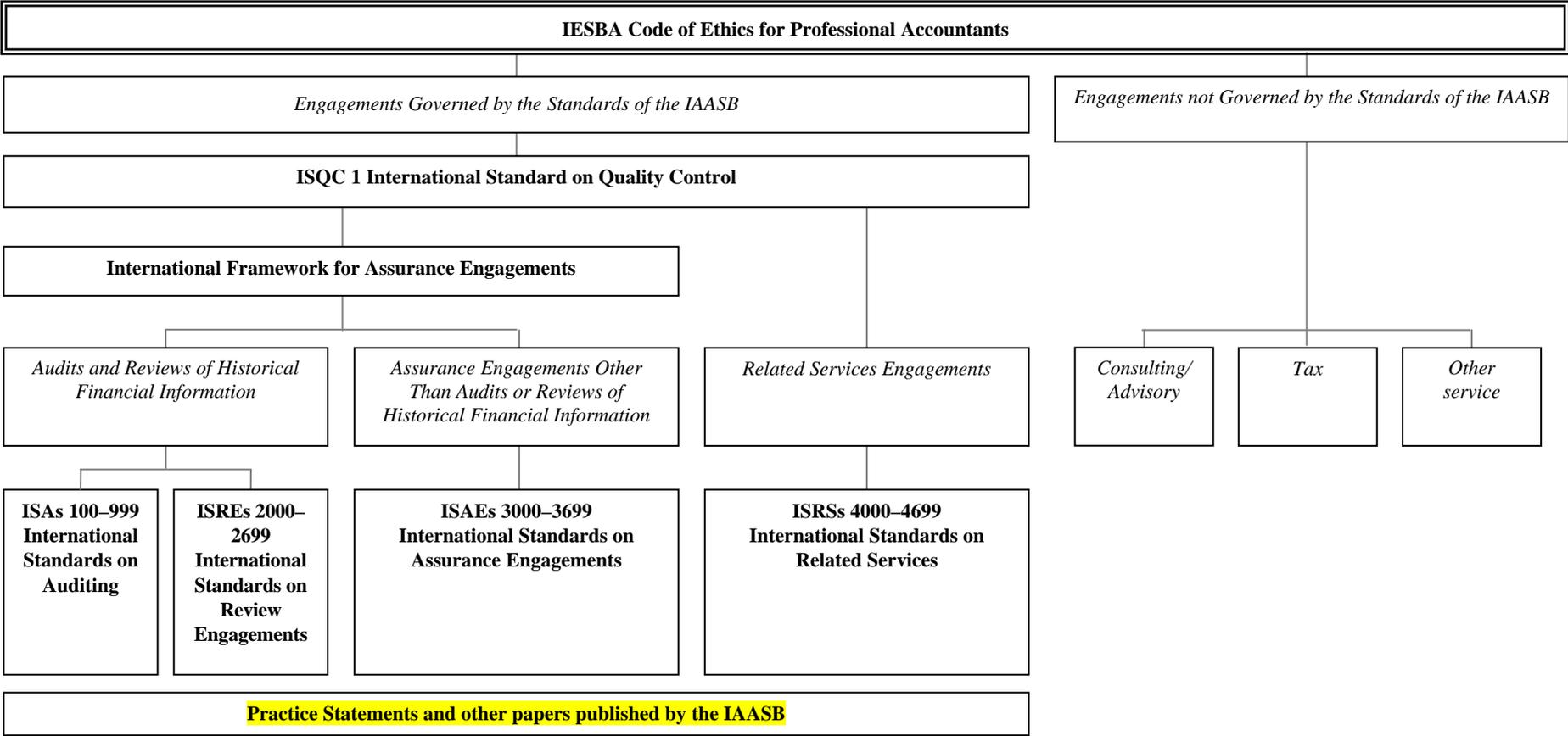
Inappropriate Use of the Practitioner’s Name

86. A practitioner is associated with an underlying subject matter when the practitioner reports on information about that underlying subject matter or consents to the use of the practitioner’s name in a professional connection with that underlying subject matter. If the practitioner is not associated in this manner, third parties can assume no responsibility of the practitioner. If the practitioner learns that a party is inappropriately using the practitioner’s name in association with an underlying subject matter, the practitioner requires the party to cease doing so. The practitioner also considers what other steps may be needed, such as informing any known third party users of the inappropriate use of the practitioner’s name or seeking legal advice.

Appendix 1

Pronouncements Issued by the IAASB

This Appendix illustrates the ambit of pronouncements issued by the IAASB, and their relationship to each other and to the IESBA Code of Ethics for Professional Accountants.



Appendix 2

Attestation Engagements and Direct Engagements

This Appendix outlines the differences between an attestation engagement and a direct engagement.

1. In an attestation engagement, the measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.
2. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. In some cases, the practitioner's conclusion is the subject matter information. Depending on the underlying subject matter:
 - (a) The outcome of the measurement or evaluation in a direct engagement may be similar to a report or statement prepared by the measurer or evaluator in an attestation engagement. In other circumstances, however, the outcome, i.e., the subject matter information, may be reflected in the description of the findings and basis for the practitioner's conclusion in a long-form assurance report; and
 - (b) The practitioner may use data collected or compiled by others. For example, the data may come from an information system maintained by the responsible party.
3. In addition to measuring or evaluating the underlying subject matter, the practitioner in a direct engagement also applies assurance skills and techniques to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information materially misstates the outcome of the measurement or evaluation of the underlying subject matter against the applicable criteria. The practitioner often obtains that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation.
4. So, in a direct engagement, rather than the source of assurance coming about through independent review of a measurement or evaluation that another party has performed, as is the case in an attestation engagement, the value of a direct engagement lies in the combination of:
 - (a) The independence of the practitioner from the underlying subject matter, the engaging party, intended users and the responsible party. The practitioner is not independent of the subject matter information because the practitioner created that subject matter information; and
 - (b) The assurance skills and techniques applied when measuring or evaluating the underlying subject matter, which results in the accumulation of evidence that is of a

similar quantity and quality as for an attestation engagement. It is this obtaining of sufficient appropriate evidence that distinguishes a direct engagement from a mere compilation. To illustrate this point, if a practitioner were compiling an entity's financial statements, the practitioner would not, for example, observe physical inventory counts. In a direct engagement, however, the practitioner would either conduct physical inventory counts as part of the measurement process, or observe physical inventory counts performed by others to the same extent as would be the case if the engagement were an attestation engagement.

Appendix 3

Reasonable Assurance Engagements and Limited Assurance Engagements

This Appendix outlines the differences between a reasonable assurance engagement and a limited assurance engagement discussed in the Framework (see in particular the referenced paragraphs).

	Reasonable assurance engagement	Limited assurance engagement
Reducing engagement risk	In a reasonable assurance engagement the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for positive form of expression of the practitioner's conclusion in the form of an opinion. (Paragraph 11)	In a limited assurance engagement the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. This is achieved by performing a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is meaningful to the intended users. (Paragraph 11)
Procedures¹	<p>Sufficient appropriate evidence is obtained by applying assurance skills and techniques as part of a systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances, and:</p> <ul style="list-style-type: none"> (a) Based on that understanding, identifying and assessing the risks of material misstatement; (b) 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.; and (c) Based on the procedures performed and the evidence obtained, evaluating before the completion of the engagement whether the practitioner's assessment of the risks that the subject matter information may be materially misstated remain appropriate. (Paragraphs 67 and 68) 	<p>Sufficient appropriate evidence is obtained by applying assurance skills and techniques as part of a systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances, and:</p> <ul style="list-style-type: none"> (a) Based on that understanding and consideration of risks of material misstatement, determining the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users; (b) Performing those procedures; and (c) If the practitioner becomes aware of a matter that causes the practitioner to believe the subject matter information may be materially misstated, designing and performing additional procedures as appropriate. <p>The procedures performed in a limited assurance engagement are deliberately limited relative to a reasonable assurance engagement. (Paragraphs 67 and 69–70)</p>

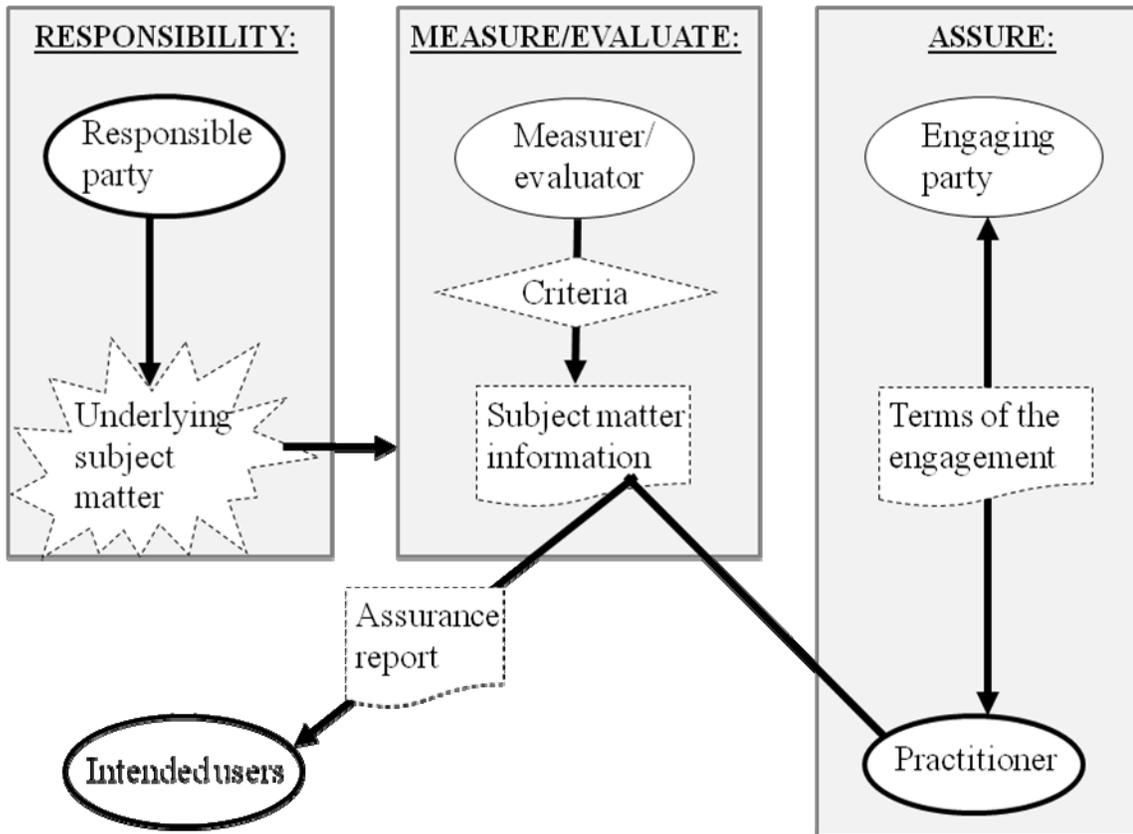
¹ A detailed discussion of requirements is only possible within ISAEs for specific subject matters.

	Reasonable assurance engagement	Limited assurance engagement
The assurance report	Description of the engagement circumstances, and a positive form of expression of the practitioner's conclusion. (Paragraphs 11 and 75)	Description of the engagement circumstances, including the limited nature of the assurance obtained, and the expression of a conclusion in a form that conveys the fact that, 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 (Paragraph 11 and 76)

Appendix 4

The Parties to an Assurance Engagement

1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, the roles of the measurer or evaluator and of the engaging party may also be assumed by one of these parties or by another party(ies).



2. The above diagram illustrates how the following roles relate to an assurance engagement:
 - (a) The responsible party is responsible for the underlying subject matter.
 - (b) The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
 - (c) The engaging party agrees the terms of the engagement with the practitioner.
 - (d) The practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of the underlying subject matter against criteria.

- (e) The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organization(s), or class(es) thereof for whom the practitioner prepares the assurance report.
3. The following observations can be made about these roles:
- Every assurance engagement has at least a responsible party and intended users, in addition to the practitioner.
 - The practitioner cannot be the responsible party, the engaging party or an intended user.
 - In a direct engagement, the practitioner is also the measurer or evaluator.
 - In an attestation engagement, the responsible party, or someone else, but not the practitioner, can be the measurer or evaluator.
 - Where the practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.
 - The responsible party can be the engaging party.
 - In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator, is when the practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organization about a private company's sustainability practices.
 - In an attestation engagement, the measurer or evaluator ordinarily provides the practitioner with a written representation about the subject matter information. In some cases, the practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
 - The responsible party can be one of the intended users, but not the only one.
 - The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.
 - An engaging party that is not also the responsible party can be the intended user.

Appendix 5

Categorization of Underlying Subject Matters

The table below shows a categorization of the range of possible underlying subject matters with some examples. For some categories no example is given because it is unlikely that assurance engagements with respect to information in these categories would be undertaken. The categorization is not necessarily complete, and the categories are not necessarily mutually exclusive. Also, in some cases, the examples are the subject matter information, in other cases they are the underlying subject matter or merely an indication of the type of question that information could assist with, whichever is more meaningful in the circumstances.

Information about:		Historical Information	Future Oriented Information
Financial	Performance	<i>[An attestation engagement on this information would be an audit or review to be conducted in accordance with the ISAs or ISREs]</i>	<ul style="list-style-type: none"> Forecast/projected cash flow²
	Position		<ul style="list-style-type: none"> Forecast/projected financial position³
Non-Financial	Performance/ Use of Resources/ Value for Money	<ul style="list-style-type: none"> GHG statement KPIs Statement on effective use of resources Statement on Value for Money 	<ul style="list-style-type: none"> Expected emissions reductions attributable to a new in technology, or GHGs to be captured by planting trees Statement that a proposed action will provide value for money
	Condition	<ul style="list-style-type: none"> Description of a system/process as implemented at a point in time Physical characteristics, e.g., the size of leased property 	
System/ Process ⁴	Description	<ul style="list-style-type: none"> The description of a system of internal control 	
	Design	<ul style="list-style-type: none"> The design of controls at a service organization 	<ul style="list-style-type: none"> The design of proposed controls for a forthcoming production process
	Operation/ Performance	<ul style="list-style-type: none"> The operating effectiveness of procedures for hiring and training staff 	
Aspects of Behavior	Compliance	<ul style="list-style-type: none"> An entity's compliance with e.g., loan covenants, or specific legal or regulatory requirements 	

² See ISAE 3400, *The Examination of Prospective Financial Information*

³ See ISAE 3400, *The Examination of Prospective Financial Information*

⁴ Where the engagement is undertaken by a professional accountant in public practice to provide a report for use by user entities and their auditors on the controls at a service organization that provides a service to user entities that is likely to be relevant to user entities' internal control as it relates to financial reporting, it would be conducted in accordance ISAE 3410.

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Information about:		Historical Information	Future Oriented Information
	Human Behavior	<ul style="list-style-type: none"> • <i>Evaluation of audit committee effectiveness</i> 	
	Other	<ul style="list-style-type: none"> • <i>The fitness for purpose of a software package</i> 	<ul style="list-style-type: none"> • <i>An entity's creditworthiness</i>