

Alignment of Part 4B¹ with ISAE 3000 (Revised)— Issues Concerning Project Scope

I. Introduction

1. The purpose of this paper is to enable IESBA to provide preliminary input to the Working Group (WG) which is developing the proposal for the project to address the consistency of Part 4B of the restructured Code with ISAE 3000 (Revised)² (“the Project”).
2. The paper is structured into the following sections below:
 - II. Key changes between ISAE 3000 and ISAE 3000 (Revised)
 - III. Potential impact of the key changes to ISAE 3000 (Revised) for the project
 - IV. Independence requirements for attestation and direct engagements
 - V. Approach to explanatory material in the Code, including FAQs and the Interpretation 2005-01
 - VI. Implications for the project proposal

II. Key Changes Between ISAE 3000 and ISAE 3000 (Revised)

3. In March 2009, the IAASB commenced a project to revise ISAE 3000 (originally issued in 2004). The main objectives of the revision were to incorporate enhanced requirements and guidance in the light of experiences with applying ISAE 3000, and to adopt the IAASB’s clarity drafting conventions. The IAASB project proposal at the time noted that conforming amendments may be needed to the Assurance Framework³ and other ISAEs, although it should not entail revisiting conceptual matters settled at the time the Assurance Framework was issued.
4. The main changes that were subsequently made sought to clarify the distinction between the types of assurance engagement and to identify more clearly the parties to an assurance engagement and their roles and responsibilities. These are also the changes that are most relevant to the IESBA in addressing the independence requirements. These key changes, together with other matters addressed in the IAASB’s [Basis for Conclusions](#), are summarized below.

Types of Assurance Engagement

5. ISAE 3000 (Revised) introduces a change in terminology in the two types of assurance engagement from “assertion-based” and “direct reporting” engagements to “attestation” and “direct” engagements, respectively. This has also involved a reclassification of certain types of engagements which were

¹ Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements

² International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

³ The IAASB issued its International Framework for Assurance Engagements (Assurance Framework) solely to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and ISAEs (altogether the IAASB’s assurance standards) apply. The Assurance Framework is not a Standard. Accordingly, it does not establish any requirements (or basic principles or essential procedures) for the performance of audits, reviews, or other assurance engagements. Practitioners should instead apply the relevant assurance standards when performing assurance engagements.

previously included within the category of direct reporting engagements under the old Standard as attestation engagements under the revised Standard. This arises because in changing the terminology, the IAASB has clarified that the distinction between the two types of assurance engagement is focused on who is undertaking the measurement or evaluation of the subject matter (now referred to as “underlying subject matter” to avoid confusion with the term “subject matter information”) against the criteria. Moving from the term “assertion-based engagements” to “attestation engagements” and from “direct reporting engagements” to “direct engagements” involved taking one of the two types of direct reporting engagements (where a measurer or evaluator, other than the practitioner, measures or evaluates the underlying subject matter and makes an assertion as to the subject matter information that is not available to intended users) and including that type of engagement under attestation engagements. Direct engagements now *only* include the other type of engagement, where the practitioner directly measures or evaluates the underlying subject matter. This results in a reclassification, but no substantive change in concepts.

6. After extensive deliberation, the IAASB concluded that ISAE 3000 (Revised) should include requirements and guidance for attestation engagements only, rather than both attestation engagements and direct engagements. Nonetheless, in the introduction, ISAE 3000 (Revised) notes that the ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances.
7. To assist the IESBA, the former and revised definitions of the two types of assurance engagements, as set out in the original and revised Assurance Framework, are reproduced in Appendix 1 of this agenda paper.
8. The rationale as to how the professional accountant can be considered to be independent when performing direct engagements is considered in section III of this paper.

The Parties to an Assurance Engagement

9. The IAASB has taken steps in ISAE 3000 (Revised) and also in the conforming changes to the Assurance Framework to clarify the parties to an assurance engagement. To this end, an Appendix is included in both documents which is reproduced for the IESBA’s convenience in Appendix 2 of this agenda paper.
10. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Additionally, depending on the engagement circumstances, there may also be a separate role of measurer or evaluator and/or engaging party. The term “responsible party” is, however, now reserved for the party responsible for the underlying subject matter and the term “measurer or evaluator” is reserved for the party who evaluates the underlying subject matter against the criteria to produce the subject matter information.
11. The measurer or evaluator might, and is generally likely to be, part of the same organization as the responsible 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. Alternatively, the measurer or evaluator might be external (for example, an external consultant or a government body).
12. The clear distinction between the roles of the different parties has implications for the Code in so far as concerns the parties from whom the professional accountant has to be independent and the requirements for independence, both in an attestation and a direct engagement. It also has

implications for the definition of assurance team. These matters are considered in section III of this paper.

Other Main Changes in ISAE 3000 (Revised)

13. The Basis for Conclusions for ISAE 3000 (Revised) highlights other key changes:

- *Reasonable Assurance and Limited Assurance*

The revised Standard has made changes to the definitions of these terms to clarify the existing fundamental concepts within the Assurance Framework and extant ISAE, but the conceptual matters have not been revised. More application material is included highlighting the nature and extent of procedures as they might vary between reasonable assurance and limited assurance engagements. More guidance has also been included on the practitioner's work effort. The WG does not believe that these changes are relevant to the Project.

- *Suitable Criteria*

More guidance is provided in particular on how to determine whether the criteria are suitable for an assurance engagement. This is useful for the IESBA to note, in particular in considering the particular case of direct engagements where the practitioner is performing the evaluation of the underlying subject matter against criteria. However, it does not, in the view of the WG, have any bearing on the changes needed to align the Code with ISAE 3000 (Revised).

- *The Practitioner's Report*

The revised Standard is more specific on the requirements for the practitioner's report, including requiring a summary of work performed. Illustrative examples of different forms for key elements of the report are provided, including an illustrative example of a statement regarding compliance with ethical requirements which includes reference to the IESBA Code. The IESBA should note that this should in due course be updated by IAASB to conform with the restructured Code, as should references in the Standard to the ethical requirements as set out in the IESBA Code.

- *Application of ISAE 3000 (Revised) by Competent Practitioners*

The IAASB concluded that it is appropriate for ISAE 3000 (Revised) to permit competent practitioners who are not professional accountants in public practice to apply the ISAE. In order to promote consistency and quality in practice, the IAASB introduced additional application material regarding quality control at both the firm and engagement level to emphasize important elements relevant to all assurance engagements. The Standard also requires practitioners to make clear in their report the specific ethical and quality control standards followed, when those are not the IESBA Code or ISQC 1 respectively. The WG does not believe that this development needs to be reflected in the alignments to Part 4B given that the Code is addressed to professional accountants as defined.

- *International Framework for Assurance Engagements*

ISAE 3000 (Revised) differs from the original ISAE 3000 in that it includes all material that is necessary for it to be understood without reference to the Assurance Framework. In adopting this approach, the IAASB recognized that practitioners rarely access the Assurance Framework, preferring instead to refer to the content of ISAE 3000 for guidance when

performing engagements. The IAASB also noted that the Assurance Framework is non-authoritative and is not adopted in every jurisdiction.

This change does potentially have relevance to the Project in that Part 4B currently cites the Assurance Framework rather than ISAE 3000 (Revised) when pointing to where further guidance can be obtained as to assurance concepts referred to in the Code. The WG recommends that this be reviewed as part of the Project.

III. Potential Impact of the Key Changes to ISAE 3000 (Revised) for the Project

Types of Assurance Engagement

14. During their conference call with IAASB representatives, the IESBA representatives explored in some detail the rationale behind the decision of IAASB to focus ISAE 3000 (Revised) on attestation engagements, and also sought to understand further the concept of a direct engagement, with reference to real life examples.

Attestation Engagements

15. In the case of an attestation engagement, the separate elements of an assurance engagement as laid down in the Assurance Framework are clearly evident. An example of an attestation engagement is where a practitioner provides a conclusion on a statement by management of effectiveness of internal controls (the “subject matter information”) that results from management of the organization (the “measurer or evaluator”) evaluating the internal control process (the “underlying subject matter”) against an appropriate benchmark (either established within or outside the organization) (“suitable criteria”). In this case, management is responsible for the internal control process itself (the “responsible party”) and is also the measurer or evaluator. In some cases, however, the measurer or evaluator might be external to the organisation, such as an external consultant.

Direct Engagements

16. In the case of direct engagements, on the other hand, the practitioner is responsible for performing the evaluation or measurement of the underlying subject matter against the criteria and obtaining assurance in relation to this evaluation or measurement, the result of which encompasses the assurance conclusion provided. If the practitioner were to measure or evaluate and obtain assurance on the effectiveness of internal controls as a direct engagement, the practitioner’s description of internal controls, together with the assurance conclusion on effectiveness, would comprise the “subject matter information.” The practitioner acts as the measurer or evaluator in evaluating and obtaining assurance about the effectiveness of the internal control process (the “underlying subject matter”) for which the entity is responsible (the “responsible party”) against an appropriate benchmark (again, either established within or outside the organization) (“suitable criteria”).
17. The Basis for Conclusions for ISAE 3000 (Revised) refers to a few respondents having questioned whether it is possible for the practitioner to be independent in direct engagements as the practitioner prepares the subject matter information and may be involved in selecting the criteria.
18. The WG confirmed on its call with IAASB representatives that direct engagements are assurance engagements and must satisfy all the elements of an assurance engagement (including the existence of suitable criteria) and are not to be confused, for example, with consulting engagements.

19. In a direct engagement, the practitioner does not first perform the evaluation or measurement and then obtain assurance on it: rather, the practitioner obtains assurance while doing the measurement and evaluation. The practitioner, therefore, obtains the evidence needed beyond the “compilation” before, during and after such compilation. In the case of a direct engagement, there is no re-evaluation by the practitioner of work previously completed or an opinion previously provided and no self-review threat arises.
20. Some respondents to the ISAE 3000 (Revised) Exposure Draft questioned how the practitioner can be independent if engaged in the process of developing the criteria. This was discussed by the WG with the IAASB representatives who advised that it depends on the circumstances with whom a practitioner ought to agree the criteria, including how the engagement is designed and who the engaging party is. When the engaging party is different from the responsible party, the practitioner might develop the criteria and agree them with the engaging party (who might also be the intended user), rather than necessarily the responsible party. What matters is that the practitioner does discuss and agree the criteria with the appropriate party in the circumstances.

Preliminary Observations of the WG on the Independence Implications of Direct Engagements

Self-review Threat

21. In the very few examples of direct engagements that the WG has seen, it does not appear that the exercise of measurement or evaluation of the underlying subject matter is clearly separable from the process of evidence gathering. There does not necessarily seem to be any separate output that could be referred to as “subject matter information.” independently of the assurance report, and indeed the practitioner’s report might itself be the subject matter information. Typically, therefore, there is no clear sense of there being a process of measurement or evaluation, leading to output in the form of subject matter information which then has to be re-evaluated by the same practitioner for the purposes of providing the assurance opinion. Therefore, practitioners are not required to audit or review their own work and accordingly there is unlikely to be a self-review threat.
22. The WG understands that this is the rationale that underpinned the approach taken to independence for direct reporting engagements when section 291⁴ of the extant Code was developed in 2005, i.e., there is no previous judgment made or a (previous) activity or service performed by the practitioner that needs to be evaluated for the purpose of the assurance conclusion. In these circumstances, the assurance team and firm can maintain independence of the assurance client (the party responsible for the underlying subject matter) as required by the Code. In simple terms, practitioners have to be able to demonstrate that they have no vested interest in the underlying subject matter or in the outcome of the evaluation/evidence gathering process that enables the report to be made in accordance with ISAE 3000 (Revised).

The Practitioner’s Involvement in Development of the Criteria

23. It might be that the practitioner has participated in the development of the criteria, but this is likely to be in conjunction with the intended user(s) or engaging party and possibly the responsible party. In order to comply with ISAE 3000 (Revised), the practitioner also needs to be satisfied as to the appropriateness of the criteria. To this extent, therefore, the practitioner is independent of the subject

⁴ Section 291, *Independence – Other Assurance Engagements*

matter information, despite the fact that the practitioner rather than the responsible party has performed all the work necessary to enable a report to be made.

24. In order to validate this view, however, the future Task Force would likely need to obtain more examples of direct engagements (e.g., customer satisfaction reports, internal control reports where management is not responsible for providing the result of its measurement or evaluation, etc) for the purposes of understanding fully how direct engagements are performed in practice and whether, therefore, a self-review threat might arise. Indeed, the WG has been advised that in the light of developing government regulations in particular, there are many more examples now of direct engagements performed by professional accountants in public practice. The WG would value any assistance Board members can provide in making any examples of direct engagements available to it for review. In pursuing these enquiries in due course, however, the future Task Force will not be challenging the technical underpinning of direct engagements in ISAE 3000 (Revised) which is a matter that has already been determined by the IAASB.
25. Further, it should be noted that the Code requires the professional accountant to apply the conceptual framework to identify, evaluate and address threats to independence. Specifically, in the case of Part 4B, R900.15 states: “A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.” This would, therefore, apply in the case of considering whether the practitioner could accept a direct engagement in the particular circumstances. In doing so, it seems more appropriate for the practitioner to apply the guidance in ISAE 3000 (Revised) as to the prerequisites for an assurance engagement, rather than this being something that should be addressed in the Code.

Matter for Consideration

1. Do IESBA members have initial comments on the WG’s preliminary views on attestation and direct engagements for the purposes of the Project Proposal?

The Parties to an Assurance Engagement

26. ISAE 3000 (Revised) now formally recognizes as many as five separate parties to an assurance engagement, being the responsible party, the measurer or evaluator, the engaging party, the practitioner and the intended users. A significant change for the purposes of aligning Part 4B of the Code to ISAE 3000 (Revised) is that the term “responsible party” is no longer used also to refer to the measurer or evaluator.
27. The IESBA Code currently uses the term “assurance client” to refer to the responsible party – defined as follows:

Assurance client	The responsible party that is the person (or persons) who: <ol style="list-style-type: none">(a) In a direct reporting engagement, is responsible for the subject matter; or(b) In an assertion-based engagement, is responsible for the subject matter information and might be responsible for the subject matter.
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The WG has given preliminary consideration to whether the definition of Assurance Client should remain in the Code. It has noted that the term “assurance client” is used extensively throughout Part

4B. It is also the corresponding term in Part 4B to the term “audit client” used in Part 4A⁵ and elsewhere in the Code. Accordingly, the WG believes it is likely to be preferable to retain the term in the Code, but define it differently, for example as set out below.

Assurance client In an attestation engagement, the measurer or evaluator (who might also be the responsible party) or in a direct engagement, the responsible party.

Additionally, it seems appropriate to introduce two new definitions of measurer or evaluator and responsible party respectively, which are taken from the IAASB literature:

Measurer or evaluator In an assurance engagement, the party(ies) who measures or evaluates the underlying subject matter against the criteria.

Responsible party In an assurance engagement, the party responsible for the underlying subject matter. In an attestation engagement, the responsible party is often also the measurer or evaluator.

28. The above (tentative) changes to the assurance client definition would likely make it more explicit that independence is required of the measurer or evaluator (who might be an external party, such as an external consultant or even a government body in a public sector engagement who has performed an evaluation of the underlying subject matter). The consequences of this could potentially be anomalous in some situations, although it would not be a departure from the extant Code (see 900.19 A1⁶). It is possible that more discussion of this should be included in the Code as part of making the alignments to ISAE 3000 (Revised), or in separate guidance material (see section V below).
29. The Code requires independence of the assurance client and does not explicitly address whether there are any ethical considerations regarding the practitioner’s relationship with the engaging party (if different from the assurance client). However, it should be noted that the Code does require the conceptual framework to be applied to identify, evaluate and address any threats to compliance with the fundamental principles, so this would also apply to any significant interests in or relationships with the engaging party, for example which might give rise to a conflict of interest.

Matter for Consideration

2. Do IESBA members have initial comments on the WG’s preliminary views on addressing the independence requirements with respect to the parties to an assurance engagement, including the definition of assurance client, for the purposes of the Project Proposal?

⁵ Part 4A – Independence for Audit and Review Engagements

⁶ The text of paragraph 900.19 A1 is as follows:

“900.19 A1 In the majority of assertion-based assurance engagements, the responsible party is responsible for both the subject matter information and the subject matter. However, in some engagements, the responsible party might not be responsible for the subject matter. An example might be when a firm is engaged to perform an assurance engagement regarding a report that an environmental consultant has prepared about a company’s sustainability practices for distribution to intended users. In this case, the environmental consultant is the responsible party for the subject matter information but the company is responsible for the subject matter (the sustainability practices).”

IV. Independence Requirements for Attestation and Direct Engagements

30. For attestation engagements, the extant Code requires:

- The members of the assurance team and the firm to be independent of the party responsible for the subject matter information (and which might be responsible for the underlying subject matter) (R900.18(a));
- The firm to apply the conceptual framework set out in Section 120 to relationships with individuals at the client in a position to exert significant influence over the underlying subject matter (R900.18(b));
- The firm to evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships (R900.18(c)); and
- In addition, if the party responsible for the subject matter information (now, the measurer or evaluator) is not also responsible for the underlying subject matter, the firm to evaluate and address any threats that the firm has reason to believe are created by interests and relationships between an assurance team member, the firm, [a network firm] and the party responsible for the underlying subject matter (R900.19(b)).

31. For direct engagements, the extant Code requires:

- Members of the assurance team and the firm to be independent of the party responsible for the underlying subject matter (R900.20(a)); and
- The firm to evaluate and address any threats the firm has reason to believe are created by network firm interests and relationships (R900.20(b)).

In such engagements, the practitioner is responsible for the subject matter information, so there is no equivalent of the first bullet in paragraph 30.

32. The WG has given some initial consideration to the differences in the independence requirements for the two types of assurance engagement. The WG is interested to note the range of different provisions in Part 4B from the requirement “to be independent” in certain cases, to requiring application of the conceptual framework to threats arising from certain interests and relationships in some cases and application of a “reason to believe” test to certain threats arising in other situations. The WG questions the basis for these different requirements. In particular, in the case of direct engagements, it is perhaps anomalous that the work effort to identify, evaluate and address threats to independence from the responsible party is higher than that for attestation engagements. It may also be unclear whether the requirements of the Code for independence of certain parties are intended to apply at an entity level or at a more individual level, in particular where the parties responsible for the underlying subject matter and the subject matter information are different, but they both operate within the same entity. The WG, therefore, questions whether the requirements themselves are entirely clear, in particular given their complexity.

33. The WG’s preliminary view is that there may be merit in reviewing these independence requirements for attestation and direct engagements, both relative to each other and by comparison with those for audits in Part 4A. Any potential changes to Part 4B should take into consideration the approaches in Part 4A in order to ensure that the two Parts remain consistent, where appropriate. The WG also considers that as a minimum there may be benefit in reviewing and, if necessary, clarifying the meaning of the requirement to evaluate and address threats from interests and relationships with the

responsible party. However, it notes that this would extend the scope of the project beyond making amendments solely to align with ISAE 3000 (Revised).

34. In this context, the WG again notes that the Code has a general requirement for the professional accountant to apply the conceptual framework to identify, evaluate and address threats to independence which is stated at the beginning of Part 4B.

Matter for Consideration

3. Do IESBA members have initial comments on the WG's preliminary views regarding the relative independence requirements for attestation and direct engagements and the possible benefits of reviewing the consistency and clarity of the requirements?

V. Approach to Explanatory Material in the Code, including FAQs and the Interpretation 2005-01

35. During the call with IAASB representatives, there was a short discussion of the fact that the extant Code includes a fair amount of background material in section 291 (now Part 4B of the restructured Code) which merely reproduces material from the IAASB Assurance Framework as to the elements of an assurance engagement. The IESBA representatives explained that the IESBA had concluded when section 291 was developed that some additional explanatory material was appropriate as the Assurance Framework had only been recently introduced. It also helped to put the potentially difficult terms introduced into the Code in section 291 in better context. IAASB representatives pointed out that it might be preferable to avoid incorporating IAASB material directly into the Code and that cross-referencing to such material, where necessary to clarify the requirements of the Code, might be more appropriate.
36. It should also be considered whether any remaining references to IAASB material in Part 4B should be to ISAE 3000 (Revised), rather than to the Assurance Framework, for the reasons explained above.
37. Paragraph 900.21 A1⁷ of Part 4B provides a discussion of how a firm might apply the independence requirements of the Code where there are multiple responsible parties. Essentially it enables the firm not to apply all of the provisions of the section to a responsible party if it determines that the

⁷ The text of paragraph 900.21 A1 is as follows:

"Multiple Responsible Parties

900.21 A1 In some assurance engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in this Part to each responsible party in such engagements, the firm may take into account certain matters. These matters include whether an interest or relationship between the firm, or an assurance team member, and a particular responsible party would create a threat to independence that is not trivial and inconsequential in the context of the subject matter information. This determination will take into account factors such as:

- (a) The materiality of the subject matter information (or of the subject matter) for which the particular responsible party is responsible.
- (b) The degree of public interest associated with the engagement.

If the firm determines that the threat created by any such interest or relationship with a particular responsible party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that responsible party."

threat created by an interest or relationship with a particular responsible party would be trivial and inconsequential. It is now possible that, as part of the alignment exercise, this should be extended to multiple measurers or evaluators, although the WG would be interested to receive any real life examples of such engagements. It was primarily in order to provide guidance on this paragraph that Interpretation 2005-01⁸ in the extant Code was developed and which also falls to be considered as part of the Project.

38. The WG believes that it is likely that some of the changes discussed above will require more discussion as to their practical implications (for example, where the firm is required to be independent of a party external to the responsible party, assuming that this is considered to be appropriate). This could either be included in the text of Part 4B or considered for other explanatory material, such as FAQs or in the Interpretation, if retained or developed further.

Matter for Consideration

4. Do IESBA members have initial comments on the approach to explanatory material to accompany Part 4B of the Code, including FAQs and Interpretation 2005-01 for the purposes of the Project Proposal?

VI. Implications for the Project Proposal

39. The scope of the Project is yet to be developed. However, essentially the identified need is to make revisions to align Part 4B of the restructured Code (section 291 of the extant Code) with ISAE 3000 (Revised). The Code already addresses the independence considerations of the original version of ISAE 3000. On the face of it, the changes made to the key elements of ISAE 3000, insofar as they are relevant to the ethical requirements of the Code, seem minor and may indeed be largely semantic. From an ethical point of view, the main consideration is the independence requirements when performing an assurance engagement under ISAE 3000 (Revised) and for this purpose the definitions of the different types of assurance engagement and the manner in which such engagements are performed are key.
40. The WG's preliminary research has identified that there may be matters, as discussed in this agenda paper, which do warrant further consideration beyond making purely factual alignments. This might extend to providing further clarification, either in the Code or in explanatory material, of the practical implications of achieving independence, as required by the Code, from the various parties to an assurance engagement, both for attestation and direct engagements (including the definition of Assurance Client). It might also include some further consideration to the independence implications of attestation and direct engagements themselves. However, the WG is clear that the future Task Force should not challenge the technical basis on which assurance engagements are established, since this has already been determined by the IAASB.
41. The WG has also identified that there are certain more minor textual changes that could be considered in Part 4B which are more of a clarifying and consistency nature, rather than purely changes to align with ISAE 3000 (Revised). The WG recommends that these be included within the scope of the Project.

⁸ Interpretation 2005-01 provides guidance on the application of the independence requirements contained in section 291 to assurance engagements that are not financial statement audit engagements.

Matter for Consideration

5. Do IESBA members have any further comments they wish to make regarding the Project Proposal, including matters that should be specifically scoped in (apart from the factual alignments for change of terms etc) or scoped out?

Types of Assurance Engagement

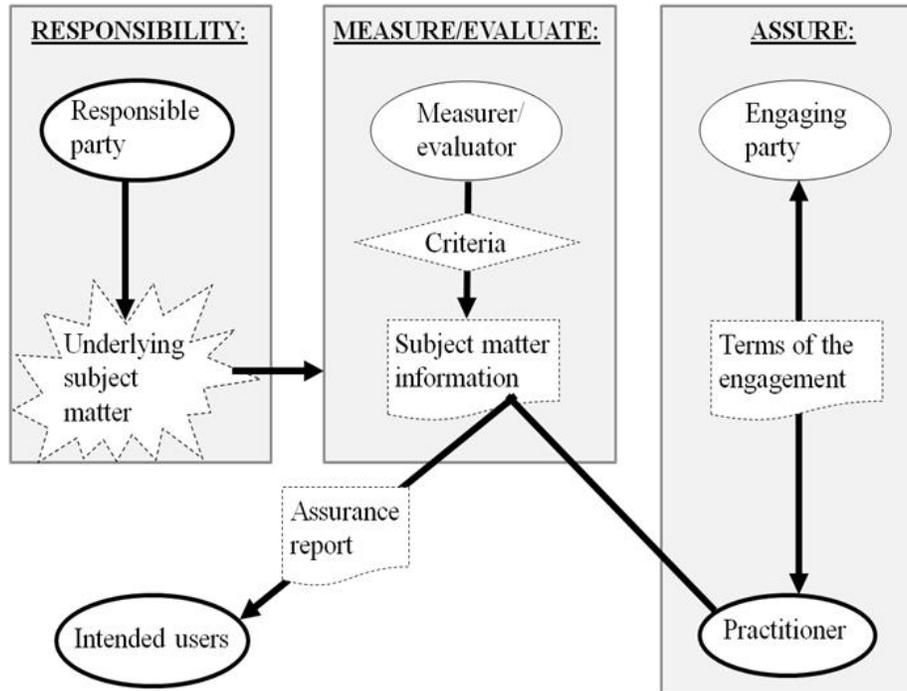
(As Extracted from the Original and Revised Assurance Framework)

Assurance Framework (2005)	Revised Assurance Framework (2015)
<p data-bbox="203 464 367 495">Paragraph 10</p> <p data-bbox="203 516 808 1100">In some assurance engagements, the evaluation or measurement of the subject matter is performed by the responsible party, and the subject matter information is in the form of an assertion by the responsible party that is made available to the intended users. These engagements are called “assertion-based engagements.” In other assurance engagements, the practitioner either directly performs the evaluation or measurement of the subject matter, or obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report. These engagements are called “direct reporting engagements.”</p>	<p data-bbox="833 464 997 495">Paragraph 12</p> <p data-bbox="833 516 1406 953">In an attestation engagement, a party other than the practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the practitioner in the assurance report. The practitioner’s conclusion addresses whether the subject matter information is free from material misstatement (see also paragraph 85).</p> <p data-bbox="833 974 997 1005">Paragraph 13</p> <p data-bbox="833 1026 1417 1761">In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria. In addition, the practitioner 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 criteria. The practitioner may obtain 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. In a direct engagement, the practitioner’s conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria and is phrased in terms of the underlying subject matter and the criteria. In some direct engagements, the practitioner’s conclusion is, or is part of, the subject matter information.</p>

The Parties to an Assurance Engagement

(Extract from ISAE 3000 (Revised))

Roles and Responsibilities



1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party.
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 subject matter information.
 - (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 group(s) thereof that the practitioner expects will use 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.
 - When 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.
4. The practitioner's conclusion may be phrased either in terms of:
- The underlying subject matter and the applicable criteria;
 - The subject matter information and the applicable criteria; or
 - A statement made by the appropriate party.

5. The practitioner and the responsible party may agree to apply the principles of the ISAE to an engagement when there are no intended users other than the responsible party but where all other requirements of the ISAE are met. In such cases, the practitioner's report includes a statement restricting the use of the report to the responsible party.