

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

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The President

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Your reference

Date 06-07-2011

Dear Mr. GUNN,

Subject: Comments on the Exposure Draft ISAE 3000 (Revised), "International Standard on Assurance Engagements"

The Belgian Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises (IBR-IRE) thanks the International Federation of Accountants (IFAC) for its invitation to comment on the Exposure Draft ISAE 3000 (Revised), "International Standard on Assurance Engagements.

General Comments

The IBR-IRE is concerned by the increased level of complexity of the exposure draft. The standard should be more focused.

The standard should also include examples of subject matters and criteria as well as examples of reports.

Specific Comments

1. Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which proposed ISAE 3000 will apply?

Yes, IRE believes this is the case.

- 2. With respect to levels of assurance:
- (a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?

The proposed revised standard defines reasonable and limited assurance engagements as follows:



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Koninklijk Instituut - Institut royal

- Reasonable Assurance An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter.
- Limited Assurance An assurance engagement in which 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. The practitioner's conclusion is expressed in a form that conveys 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. The set of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful to the intended users. The limited assurance report communicates the limited nature of the assurance obtained.

IRE supports the definition and characteristics of each type of assurance engagement set out in the ED. IRE believes the narrative definition that conveys the form of the practitioner's conclusion should be more effective in helping users understand the difference between each type of engagement compared to the former terms "positive" and "negative" conclusion. The standard appropriately highlights those requirements where the practitioner's work effort is different, depending on the level of assurance being obtained, and is entirely consistent with the proposals in the ED of ISRE 2400 (Review engagements). Other requirements considered applicable to both types of engagement are deemed appropriate.

While recognising that the proposed standard is significantly longer than the extant standard, and technical in nature, we believe the overall level of requirements to be appropriate. The changes, particularly with respect to limited assurance engagements, should help promote consistency in practice. Given the increasingly diverse range of subject matter on which users are seeking to obtain assurance, we believe the IAASB has struck an appropriate balance in the nature of the requirements that are considered to be relevant to all assurance engagements. In addition, many of the requirements deal with "engagement management" issues. As many of these engagements are new or developing, engagement acceptance is particularly important and the new requirements helpful in this regard.

(b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?

Yes, with the exception of the "direct-reporting" engagement material as

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?

In our view, with respect to internal control in a limited assurance engagement, the extent of understanding of the control environment and control activities that is necessary is dependent on the subject matter. For some engagements, IRE is of the opinion it may be necessary to understand control activities relating to, for example, processing of subject matter data to enable an informed assessment of where material misstatements are likely to arise. However, in other engagements, for example assurance on controls, this may be less relevant. In all cases however, it is ordinarily not necessary to evaluate other aspects of the entity's internal controls, such as the risk assessment process or monitoring of controls.

3. With respect to attestation and direct engagements:

(a) Do respondents agree with the proposed changes in terminology from assurance-based engagements to attestation engagements as well as those from direct-reporting engagements to direct engagements?

IRE supports the adoption of the terms "attestation engagements" and "direct engagements" on the basis that these are appropriately defined in the standard. The terms also help distinguish the engagements more clearly, as both forms of engagement are "assurance based". Moreover, IRE is concerned that the current description of a "direct-reporting" engagement is less clear from an independence point of view: on the one hand, the practitioner would be independent from the subject matter, but as the practitioner is preparing the subject matter himself together with obtaining sufficient and appropriate evidence that this information does not contain material misstatements, the practitioner is not independent vis-à-vis the subject matter information. IRE would expect the IAASB to provide at least some clarification on the type of practical situations where such an engagement might be undertaken, e.g. through the provision of practical examples in the A-paragraphs, as it appears that this type of engagement is not well understood let alone applied in Belgian practice.

IRE believes there is adequate guidance on what constitutes acceptable criteria regardless of whether these are determined by a third party or by the practitioner. Specifically, the guidance that the practitioner considers discussing the choice of criteria with the appropriate parties is important.

(b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?

See our answer to the previous question.



Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- (c) Are the objectives, requirements and other proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:
- (i) In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?

Yes.

(ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?

IRE has no specific issues to report.

- 4. With respect to describing the practitioner's procedures in the assurance report:
- (a) Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?

IRE supports the requirement to include a summary of the work performed as the basis for the practitioner's conclusion. For a limited assurance engagement we believe this should be of a summarised nature that is sufficient to convey an appropriate understanding of the nature and extent of procedures without resulting in an extensive list that is unwieldy and appears overly standardised. We support the inclusion of the language highlighting the limited nature of procedures in a limited assurance engagement as this is a key statement in conveying to users the nature of such an engagement. We do not consider additional requirements to be necessary regarding the practitioner's summary of their procedures. Given the diverse nature of engagements that may be undertaken we believe it is appropriate to apply principles to this disclosure and allow practitioners judgement in determining what is likely to be most 'meaningful' to users. We will consider whether these concepts can be more explicitly stated in the existing requirement and guidance.

(b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?



Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

IRE believes this requirement is appropriate, as there still is an important difference between a reasonable assurance engagement and a limited assurance engagement.

(c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?

No.

5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, 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) communicates adequately the assurance obtained by the practitioner?

Yes.

- 6. With respect to those applying the standard:
- (a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?

IRE believes the public interest would be best served if such assurance reports would be signed by professional accountants in public practice.

(b) Do respondents agree with proposed definition of practitioner?

Yes.

If you have any further questions about our views on these matters, do not hesitate to contact us.

Yours Sincerely,

Michel DE WOLF