

18 September 2011

Submitted electronically to jamesgunn@ifac.org

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Dear James

Comments on the Proposed ISAE 3000, (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, with proposed consequential changes to ISAE 3402 and 3410

The Independent Regulatory Board for Auditors (IRBA) is the Audit Regulator and National Auditing Standard Setter in South Africa. The IRBA has as one of its statutory objectives the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic.

We appreciate this opportunity to comment on the *Proposed ISAE 3000, (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, with proposed consequential changes to ISAE 3402 and 3410* (the Proposed ISAE 3000), developed by the International Auditing and Assurance Standards Board (IAASB).

Our comments have been prepared by the ISAE 3000 Task Group of the Committee for Auditing Standards (CFAS), the committee responsible for standard setting in South Africa. Our comments are presented in the following sections:

1. General comments
2. Request for examples of assurance engagements
3. Request for specific comments and responses
4. Comments sought by the IAASB on the following matters
5. Comments on specific paragraphs

Kindly e-mail me at svanesch@irba.co.za, or phone on direct line: +27 87 940 8871 if further clarity is required on any of our comments.

Yours faithfully



Sandy van Esch
Director: Standards

1. GENERAL COMMENTS

We support the proposed revision of the extant ISAE 3000 which has been in effect since January 2005. Since then, the demand for assurance services and the nature of subject matter over which users are seeking assurance has evolved. Accordingly, it is timely and appropriate for the IAASB to review the extant standard and clarify the principles and concepts underpinning the provision of assurance engagements in light of experience gained in applying it in practice.

The proposed standard provides a strong basis for the performance of a variety of "other assurance" engagements and will facilitate consistent high quality engagements, capable of being supplemented by topic-specific ISAEs developed in response to the needs of users and increased global demand for assurance services. We also support the drafting convention and key principles followed in the Proposed ISAE 3000 and intention for the standard to be stand-alone.

The revisions to the requirements and application material better articulate the defining characteristics of a limited assurance engagement, together with the principles and differences between attestation and direct engagements, are useful. Generally, we believe that they will serve to enhance understanding amongst practitioners of the nature and scope of individual reasonable or limited assurance engagement and the extent of the work effort necessary to convey the appropriate conclusion in the specific circumstances.

We support the decision to retain the International Framework for Assurance Engagements (the Framework) whilst incorporating material from the Framework in the Proposed ISAE 3000 (Revised) to enable understanding of the latter without reference to the Framework. In our experience, practitioners, particularly those who are unfamiliar with and / or do not apply the ISAs may focus on ISAE 3000 and, consequently, may not always refer to the Framework, even though the Framework is fundamental to a proper understanding of some of the requirements in the extant ISAE 3000.

We note that the IAASB considered guidance in relation to circumstances when a reasonable assurance engagement addresses subject matter information that encompasses both historical financial information and other information and whether such engagements should be conducted under ISAE 3000 or ISA 805. We support the IAASB's conclusion that it is appropriate to allow flexibility for this determination to be subject to the practitioner's professional judgment in light of the engagement circumstances.

2. REQUEST FOR EXAMPLES OF ASSURANCE ENGAGEMENTS

The IAASB recognizes the increasing demand for assurance engagements under ISAE 3000 in several jurisdictions and its growing use in different engagement circumstances. To assist the IAASB in ensuring broad applicability and relevance of ISAE 3000, respondents are asked to provide examples of assurance engagements that are being undertaken in practice. Please include copies of relevant assurance reports where possible; or alternatively describe the underlying subject matter, the subject matter information, the criteria, the procedures, whether the engagement was a direct engagement or an attestation engagement, and whether it was a limited assurance or reasonable assurance engagement.

Response:

ISAE 3000 reports are used in South Africa primarily for "compliance" reports to various regulators and the Auditor-General South Africa in respect of assurance provided regarding compliance with relevant laws and regulations, and in respect of assurance provided on sustainability reports for audit and other assurance clients. The wording of the reports is adapted to the specific circumstances of the engagement and applicable criteria.

Many of these reports provide limited, and not reasonable assurance, regard being had to the underlying subject matter and availability of suitable criteria as well as the extent of work performed. The engagements are primarily attestation engagements.

3. REQUEST FOR SPECIFIC COMMENTS AND RESPONSES

- 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?*

Response:

Yes. We believe the nature and extent of requirements in the proposed standard will enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which the proposed standard will apply. We also believe that the proposed standard will provide a basis for current and future subject-specific ISAEs and will facilitate innovation in the evolving field of assurance.

The following matters could be considered for inclusion:

- The fact that the auditor should not change from a reasonable assurance to a limited assurance opinion due to the results of procedures performed.
- Under which circumstances reasonable assurance cannot be provided and a limited assurance engagement should be undertaken.
- For limited assurance engagements, the types of procedures required to be performed should be more specific i.e. the need for substantive tests of details or whether procedures similar to those in the proposed ISRE 2400 review engagements would be sufficient, and the extent to which knowledge and understanding of internal controls is necessary.
- Evaluation of misstatements should be included in the documentation requirements.

We also suggest that more guidance is provided with respect to materiality and sampling considerations in assurance engagements and that this guidance should be sufficiently broad, for example:

- Determining performance materiality (when quantitative/qualitative materiality is applicable);
- Revision of materiality (when quantitative/qualitative materiality is applicable) at least when misstatements are evaluated; and
- The use of sampling and projection of misstatements.

Many of the requirements deal with "engagement management" issues. As many of these engagements are evolving, considerations relating to engagement acceptance and the pre-conditions for an assurance engagement are particularly important and the new requirements are helpful in this regard.

- 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?*

Response:

Yes. We believe that the proposed standard properly defines, and explains the difference between, reasonable assurance engagements and limited assurance engagements.

The definition of a limited assurance engagement could be described more clearly and when it applies as opposed to a reasonable assurance engagement. By using the words "*reduces engagement risk to a level that is acceptable in the circumstances*", the work effort is open to interpretation. The definition does not agree with the requirement in paragraph 42 of the ISAE. The requirement here is to perform procedures on areas where material misstatements are likely to occur with no requirement to perform risk assessment procedures. It is thus unclear how risk will be reduced. Since these engagements are higher risk engagements, should the auditor not focus on risk?

In the definition for a reasonable assurance engagement the words "practitioner's opinion" are used while for the definition for a limited assurance engagement the words "practitioner's conclusion" are used. Ordinarily a reference to "conclusion" has been used in both limited and assurance reports to differentiate these from an opinion expressed on financial statements.

We broadly support the definitions and characteristics of reasonable and limited assurance described in the exposure draft. In relation to limited assurance, we have proposed some minor wording amendments in our comments on specific paragraphs that, in our view, make the distinction between the two sharper.

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

Response:

Yes. We believe that the requirements and other material in the proposed standard are appropriate for both reasonable assurance engagements and limited assurance engagements

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?

Response:

No. We believe that an important distinction between limited assurance and reasonable assurance engagements is the requirement, for reasonable assurance, 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. We also believe that other important distinctions between limited assurance and reasonable assurance engagements include, for reasonable assurance, the following requirements:

- Identifying and assessing the risks of material misstatements.
- 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.

If the proposed ISAE 3000 does not require the practitioner to perform risk assessment procedures, it would be inappropriate to require an understanding of internal control. Including requirements to understand internal control without knowing which risks are being addressed would not be appropriate. Where, however, limited assurance is provided specifically on internal control. It would therefore be appropriate to include risk assessment procedures for limited assurance engagements.

The extent of understanding of the control environment and control activities that is necessary in a limited assurance engagement is, dependent on the underlying subject matter. For some engagements 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, this may be less relevant. 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 in a limited assurance engagement in all cases.

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"?

Response

Yes. We 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”

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

Response

Although the proposed standard properly defines, and explains the difference between, direct engagements and attestation engagements, we believe that practitioners and intended users may not clearly understand direct engagements.

Practitioners and intended users are likely to be more familiar with attestation engagements and the concept of the practitioner obtaining sufficient appropriate evidence in order to express a conclusion about whether the subject matter information is free from material misstatement than with direct engagements and the concept of measuring or evaluating the underlying subject matter against the criteria.

We believe that revising the presentation of the guidance in paragraphs A4 and A5 to explain direct engagements and the difference between direct engagement and attestation engagements may further clarify practitioners’ and intended users’ understanding of direct engagements. Additionally, it may be helpful to practitioners and intended users to provide examples within the application material.

We are aware that some question the independence of the practitioner in a direct reporting engagement (particularly in relation to more complex subject matters that involve the development of reporting systems to measure performance and the preparation of reports thereon, rather than straightforward direct measurement of, say, compliance).

c) Are the objectives, requirements and other material in the 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))?*

Response

Yes. We believe that the practitioner’s objective 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)); however, we also believe that clarification of the differences between direct engagements and attestation engagements may further clarify the practitioner’s objective for both practitioners and intended users. (Please see our response to question 3(b) above.)

The word “proper” should be excluded from the definition. The definition of a misstatement is difficult to follow and rewording it should be considered. An example to clarify the circumstances might be necessary.

We are aware that with respect to the application of the objectives, requirements and other material to direct engagements, some argue that, where the practitioner measures or evaluates the subject matter against the criteria and the practitioner’s conclusion forms the subject matter information, a misstatement in that subject matter information is regarded as an “assurance failure” i.e. a failure (in a reasonable assurance engagement) of the practitioner to detect a material misstatement. We support the IAASB’s assessment that in this situation the primary consideration is that of the users’ perception and that the definition

of misstatement is therefore appropriate and may apply equally to both types of engagement.

- (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?*

Response:

Yes. Although the proposed standard does not include requirements that specifically address the practitioner's selection or development of the applicable criteria in some direct engagements, we believe that the guidance in paragraph A10 may be appropriate in such cases to discuss the choice of criteria with the appropriate party(ies) and disclose in the assurance report the basis for using a particular set of criteria the practitioner has selected or developed in conjunction with the guidance in paragraph A144 regarding the identification of the criteria in the assurance report appropriately addresses such circumstances.

- 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?*

Response

Yes. We believe the requirement to include a summary of the work performed as the basis for the practitioner's conclusion is appropriate and will help intended users understand the nature of the assurance conveyed by the assurance report; however, we believe that additional guidance regarding the summary of the practitioner's procedures for limited assurance engagements is necessary. (Please see our response to question 4(c) below.)

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. Furthermore, an appropriate description of the primary procedures performed will prove more effective than an extensive list of procedures not performed. However, in providing a description of procedures performed, it is important that the description does not appear to resemble a list of agreed-upon procedures as this will blur the distinction with assurance procedures.

- 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?*

Response

Yes. We believe 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, is appropriate and mitigates the risk that the form of conclusion required for a limited assurance engagement may be misunderstood by some users as conveying a level of assurance that is equal to or even higher than that conveyed by a reasonable assurance opinion.

- 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?*

Response:

Yes. Additional guidance regarding the summary of the practitioner's procedures for limited assurance engagements will assist practitioners in achieving a level of consistency and understanding of possible consideration factors that could be applied in developing the summary, including key procedures performed based on the applied criteria defined. Furthermore, additional guidance in the form of illustrative assurance reports for both a limited assurance engagement and a reasonable assurance engagement related to the same subject matter information may be developed.

- 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?*

Response:

Yes. The form of the practitioner's conclusion in a limited assurance engagement communicates adequately the assurance obtained by the practitioner when read in conjunction with (i) the informative summary of the work performed as the basis for the practitioner's conclusion and (ii) the statement that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently 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.

- 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?*

Response

Yes. While we would not encourage the use of the proposed standard by practitioners other than professional accountants in public practice, we recognize that other practitioners may already be performing assurance engagements of the type envisioned under the proposed standard. Given this fact, we agree that both the public interest and the profession will be better served if all "competent" practitioners are able to use the proposed standard to benchmark their work effort on assurance engagements.

We believe, however, that ISAE 3000 should require that other assurance providers specifically cite in their assurance reports such other professional requirements, or requirements imposed by laws or regulations, and make an affirmative statement in their assurance reports that such requirements are at least as demanding as the IESBA Code and, accordingly, that paragraph 60(j) be revised to clearly articulate such requirements.

In addition, the proposed ISAE 3000 should emphasise that relevant knowledge and expertise is a requirement and precondition for accepting the engagement. We also believe that the expertise and skills necessary when performing an assurance engagement, may differ from that required for an audit or review engagement to report on financial statements, and consequently "competent" practitioners may hold professional qualifications other than professional accountants or auditors.

It should be emphasised that the practitioner should be in public practice and must have the competence to perform the ISAE 3000 assurance engagement. As IFAC does not exercise oversight of practitioners who are members of IFAC Member Bodies, different jurisdictions should consider whether the work of "competent assurance" practitioners should be monitored by an audit or assurance regulator.

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

Response:

Yes, we agree with the proposed definition of "practitioner" recognising the broad subject matter on which assurance may be sought by users. We believe the requirements are sufficiently robust such that only appropriate individuals that are subject to requirements equivalent to those imposed on professional accountants in public practice, as describe in the introductory material to the standard, are able to undertake an engagement in accordance with the standard.

4. COMMENTS SOUGHT BY THE IAASB ON THE FOLLOWING MATTERS

Public Sector—recognizing the applicability of proposed ISAE 3000 to many assurance engagements in the public sector, the IAASB invites respondents from this sector to comment on the proposed ISAE, in particular on whether, in their opinion, the special considerations in the public sector environment have been dealt with appropriately in the proposed ISAE.

Response:

Comments from the Auditor General South Africa relevant to the use of ISAE 3000 in the public sector are incorporated in our comments above.

The ISAE 3000 regulatory reports relate to public sector regulated entities sectors, for example in the financial services sector, and medical schemes sector. The sustainability reports have a broader application and often relate to entities in the mining and resources sectors and in the chemical and pharmaceutical industries.

Small-and Medium-Sized Practices (SMPs) and Small-and Medium-Sized Entities (SMEs)—Recognizing the applicability of proposed ISAE 3000 to assurance engagements on historical financial information in a SME context or by SMPs, the IAASB invites respondents from this constituency to comment on the proposed ISAE, in particular on the scalability of requirements.

Response:

We have not received any comments from these constituencies. We believe that the proposed standard is scalable to small- and medium-sized entities, but understand that SMPs and SMEs may be less exposed to assurance requests for ISAE 3000 format of reports.

Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed ISAE, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

Response:

Although South Africa is regarded as a developing nation, the IRBA adopted the complete suite of IAASB Engagement Standards from 1 January 2005 and continues to prescribe them for use by registered auditors. In addition, South Africa has contributed to leadership initiatives in regulatory, sustainability and integrated reporting by multi-disciplinary engagement teams, and registered auditors' firms have developed experience in applying the extant ISAE 3000 in such engagements.

We do not envisage any problems in applying this proposed ISAE in South Africa, other than as indicated by our comments herein whether in response to specific questions, or our comments on specific paragraphs.

Translations—Recognizing that many respondents may intend to translate the final ISAE for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISAE.

Response:

The IAASB standards are not presently translated in South Africa.

Effective Date—The IAASB believes that an appropriate effective date for the final ISAE 3000 would be 12–15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

Response:

We agree that this would provide a sufficient period to support effective implementation of the ISAE 3000 (Revised) as the extant ISAE 3000 is already effective, consequently it will be appreciated if the IAASB may permit early adoption once issued.

5. COMMENTS ON SPECIFIC PARAGRAPHS

We encourage the IAASB to address the following matters in finalising the proposed ISAE 3000 (Revised).

Paragraph	Comment
Title and para 1	<p>The title of the standard, and the explanation in paragraph 1, are ambiguous. Currently the title can be read in two ways:</p> <ul style="list-style-type: none"> • An assurance of historical information that is not a review or audit engagement. • An assurance of non-financial or non-historical information.
Para 2	<p>It is not clear what the case will be if the members of the team are not subject to the jurisdiction of e.g. IFAC. How could the ethics standards be imposed on, for example, engineers? We appreciate that these team members would still be responsible for complying with the Code and ISQC 1, or standards at least as demanding. The standard will therefore need to be applied by members of diverse professions, not only accountants.</p> <p>Please clarify that a practitioner cannot apply this standard if that person is not compliant with the Code and ISQC 1, or standards as demanding.</p>
Para 3	<p>Please provide a definition for “a competent practitioner other than a professional accountant in public practice”. Also, please elaborate on the differences between such a person, a “competent practitioner” and a “practitioner” as per paragraph 8(q).</p>
Para 6(a)	<p>With respect to the term “<i>free from material misstatement</i>”, how would one report a material misstatement on non-financial information e.g. a control or a process?</p> <p>The paragraph does not address circumstances where the ISAE 3000 assurance is sought in respect of a <i>process</i> and where controls may be <i>ineffective</i> or management’s assertions regarding “key” controls implemented is incorrect or is misstated. The ineffective controls or controls may lead to material misstatement or misappropriation due to fraud or error.</p> <p>We suggest the following wording change to this paragraph to clearly indicate that the practitioner’s objective is to obtain the appropriate level of assurance about whether the subject matter information is free from material misstatement,</p>

Paragraph	Comment
	<p><u>whether due to fraud or error.</u></p> <p>6(a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information (that is, the reported outcome of the measurement or evaluation of the underlying subject matter) is free from material misstatement, <u>whether due to fraud or error.</u></p>
Para 8, 9 and A20	<p>Given the use of this term throughout the standard it may be useful to group the definitions of the various parties to the engagement together under a new definition – “Appropriate party/(ies)”, in particular. The content of paragraph 9 can then be included to accompany this definition. We suggest the following:</p> <p>“Appropriate party/(ies):</p> <ul style="list-style-type: none"> i) Engaging party – The party/(ies) that engages..... ii) Measurer or evaluator – The party/(ies) who measures or evaluates..... iii) Responsible party – The party/(ies) responsible for the underlying..... <p>For the purposes of this ISAE and other ISAEs, references to “appropriate party/(ies)” should be read hereafter as “the responsible party, the measurer or evaluator, or the engaging party, as appropriate.””</p>
Para 8	The definitions should be sufficiently described so that there is no need to link a definition to the application and other explanatory material section of the ISAE.
Para 8(a)	<p>We recommend the following minor wording amendment to the definition of limited assurance (consistent with the language adopted in ISAE 3410):</p> <p><i>“Limited assurance engagement—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 <u>nature</u> of procedures performed in a limited assurance engagement is <u>different from</u>, and their <u>extent less than</u>, <u>limited compared with</u> that necessary in a reasonable assurance engagement, <u>however they are</u> 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 more limited nature <u>extent</u> of the assurance obtained.”</i></p>
Para 8(f)	The definition for engagement risk does not include the components of engagement risk i.e. inherent risk, control risk and detection risk.
Para 8(n) and (o)	We noticed that neither definition includes the term “material” and that there is no separate definition of “material”. The terms could be applied inconsistently.
Para 8(q)	The second sentence describing the role of the practitioner in a direct engagement is repetitive of paragraph 8 (a)(ii)(b) and is equally not part of the definition of “practitioner”. We believe this should be deleted.
Para 8(w) and (x)	<p>Would it be possible to use different terminology for either “underlying subject matter” or “subject matter information” to create a better distinction between the two terms? The current use of the terms is confusing.</p> <p>The definition for “subject matter information” that is included in the 2010 IFAC handbook (Glossary of terms) is more clearly described than the proposed definition, if this definition means the following – <i>the subject matter information is the information that the entity is providing to the auditor for audit purposes. In a direct engagement the subject matter information would be incorporated in the findings of the auditor.</i></p>

Paragraph	Comment
Para 11	<p>We recommend additional wording as follows:</p> <p><i>"The practitioner shall not represent compliance with this or any other ISAE unless the practitioner has complied with the requirements of this ISAE and any other <u>subject matter-specific</u> ISAE relevant to the engagement."</i> "Other subject matter-specific ISAE" instead of "other ISAE" should be used consistently throughout the standard.</p>
Para 13	<p>Could there not be circumstances where a "requirement" that is not conditional is not relevant and the auditor does not have to comply with it?</p>
Para 14	<p>The 3rd sentence of this paragraph does not form part of the requirement and should be moved to the application and other explanatory material section of the ISAE.</p>
Para 15	<p>We believe this paragraph is repetitive of paragraph 7. We suggest that the content of this paragraph would be better located as application material to paragraph 7. We further recommend that the application material included in ISRE 2400 (Revised) paragraphs A12-A14 may be appropriate to incorporate into such application material, tailored accordingly.</p> <p>We have included further recommendations at the end of our comments on specific paragraphs, to align the standard with the exposure draft of ISRE 2400 (Revised) where, in our opinion, matters have been better dealt with in that standard.</p>
Para 16	<p>Reference should be made to the full title of the IESBA Code. We also believe that the requirement to comply with this code is not sufficient if compliance is not monitored by a regulatory body.</p> <p>As several requirements refer to complying with "relevant ethical requirements" we recommend that the heading under which this paragraph resides be amended to state "<u>Relevant Ethical Requirements</u>". Alternatively the approach adopted in ISRE 2400 (Revised) may be applied with a formal definition of the term provided. This requirement could then be simplified.</p>
Para 20(a)	<p>We suggest that the need for the appropriate parties to understand their relevant roles and responsibilities needs to be made explicit in the requirement. We propose the following alternative wording:</p> <p><i>"The appropriate parties understand their respective roles and responsibilities and that these are suitable in the circumstances."</i></p>
Para 20(b)(iii)	<p>We suggest additional wording as shown (consistent with the related application material):</p> <p><i>"The practitioner will have access to the <u>records and</u> evidence needed to support the practitioner's conclusion."</i></p>
Para 20(b)	<p>We suggest the following wording changes to this paragraph to clearly refer practitioners to those paragraphs that directly address work performed by a practitioner's expert and work performed by another practitioner or an internal auditor:</p> <p><u>20(b)(vi)</u> <i>In the case of a limited assurance engagement, that a meaningful level of assurance can be obtained.</i></p> <p><u>20(b)</u> <i>Be satisfied that the engagement team will be able to be involved in the work of:</i></p> <p><i>(i) A practitioner's expert where the work of that expert is to be used (see also paragraph 45); and (Ref: Para. A64–A65)</i></p> <p><i>(ii) Another practitioner where the work of that practitioner is to be used (see also</i></p>

Paragraph	Comment
	<p><i>paragraph 46). (Ref: Para. A66)</i></p> <p><i>to an extent that is sufficient to accept responsibility for the conclusion on the subject matter information.</i></p>
Para 20(b)(v) and A53	<p><i>"20(b)(v) A rational purpose"</i></p> <p>It is not clear why the engagement should exhibit this characteristic. We believe that the requirement to assess whether there is a rational purpose for the engagement should be incorporated into requirement 18. In our opinion this should be the first consideration preceding the other elements identified in requirement 18, rather than the last item in paragraph 20. Note this is also consistent with the treatment in the exposure draft of ISRE 2400 (Revised). We propose a new paragraph 18 (a) as follows:</p> <p><i>"The practitioner shall accept or continue an assurance engagement only when:</i></p> <p style="padding-left: 40px;"><i>(a) The practitioner is able to identify the purpose for the engagement and the intended users of the subject matter information, and is satisfied that there is a rational purpose for the engagement including, in the case of a limited assurance engagement, that a meaningful level of assurance can be obtained."</i></p> <p>Refer also to our comment on paragraph A53 in respect of application material related to a 'rational purpose'.</p>
Para 21 and 26	<p>We believe that there may be actual, or at best perceived, conflict between the statements in requirements 26 and 62 with respect to referencing the fact of the engagement being conducted in accordance with ISAEs. The former states (including a referencing error corrected in our quote) that:</p> <p><i>"An engagement conducted in accordance with such laws or regulations does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s). (See also paragraph 642)"</i></p> <p>While, the latter states:</p> <p><i>"If the practitioner is required by laws or regulations to use a specific layout or wording of the assurance report, the assurance report shall refer to this or other ISAEs only if the assurance report includes, at a minimum, each of the elements identified in paragraph 60."</i></p> <p>Similar to the ISAs, this seems to be saying that compliance with the performance requirements in the ISAE is necessary to assert compliance with the ISAE, but that reporting requirements might vary as long as a minimum set of elements is present. It might be useful to clarify this point to avoid the possible perception of inconsistency, or even contradictory requirements.</p>
Para 21	<p>This paragraph also states that if the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party; and, if changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement, unless required by law or regulation to do so. However, the paragraph goes on to state that an engagement conducted under such circumstances (where law or regulation requires it) does not comply with ISAEs.</p> <p>We are concerned that there may be situations under law or regulation where a practitioner is both required to accept the engagement and also provide a report stating that the engagement was performed in accordance with the proposed standard. An equivalent statement (that an engagement conducted under such circumstances does not comply with ISAEs) is not included in the ISAs (ISA 210), and accordingly, we believe the sentence should be deleted from the proposed</p>

Paragraph	Comment
	standard.
Para 22(b)	Include "unless required by laws and regulations."
Para 27(b)	Please explain the use of the word "extensive". Is the word "appropriate" not more suitable?
Para 28	<p>This requirement is clearly drafted as a responsibility of the engagement partner. As such, we believe this needs to follow the heading <i>"Responsibilities of the Engagement Partner"</i>. Refer also to our related comment on paragraph 29 in the section titled "Recommended changes to align the standard with the exposure draft of ISRE 2400 (Revised)".</p> <p>Please elaborate on the distinction between engagement team members and external experts, as well as their respective responsibilities in terms of the Code and ISQC 1. We understand that external experts would not be subject to the Code and ISQC 1. ISA 620 could be applied however this would contradict the context of this standard being stand-alone.</p>
Para 31	We do not understand what is meant by "the firm's monitoring process as evidenced in the latest information circulated by the firm". Also, this is a requirement i.e. "shall". What is the case if no such information is available? There may also be cross-border implications. No application material has been provided on this requirement. It is not clear what the engagement partner is supposed to do or consider. Also, what if the firm does not have an adequate monitoring process?
Para 32	<p>Is an ECQR process appropriate for an "other assurance engagement"? Generally applies to an audit or review engagement and the paragraph appears to be couched in that context.</p> <p>May be a problem and impractical in assurance engagements, for example sustainability assurance engagements involving multi-disciplinary teams.</p>
Para 33	<p>We are aware that the IAASB has a "professional scepticism" project. This term needs further clarification.</p> <p>We suggest the following additional wording:</p> <p><i>"The practitioner shall exercise professional scepticism in planning and performing an engagement recognising that circumstances may exist that cause the subject matter information to be materially misstated."</i></p>
Para 36	<p>We support the IAASB in not including a requirement that explicitly calls for the practitioner to revise materiality as the assurance engagement progresses. However, we believe there may be benefit in including an application paragraph to this requirement that explains that this may be appropriate depending on the circumstances. We suggest the following wording:</p> <p><i>"The practitioner's determination of materiality for the assurance engagement may need to be revised during the engagement as a result of:</i></p> <ul style="list-style-type: none"> <i>• A change in the circumstances that occurred during the engagement;</i> <i>• New information; or</i> <p><i>A change in the understanding of the subject matter, as a result of the practitioner performing additional procedures, when warranted."</i></p>
Para 36(b) and A91	We noticed that the word "material" has been omitted from this requirement. Is this intentional? Also, what if there is a material problem outside of the assurance report that the practitioner is aware of? If this was not evident when the practitioner accepted the engagement, what are the implications?
Para 37 and A93	We are concerned that the paragraph implies that limited assurance excludes the need for an understanding of internal control over the preparation of the subject

Paragraph	Comment
	<p>matter information.</p> <p>Need to expand this paragraph to clarify what is required in a limited assurance engagement as practitioners may completely misunderstand their responsibility for gaining an understanding of the internal controls and impact on their evaluation of engagement risk.</p>
Para 42(a)	<p>We suggest that this requirement be more explicit in its aim and suggest the following wording:</p> <p><i>"Based on the practitioner's understanding (see paragraph 37) and consideration of the practitioner shall identify areas of the subject matter information where material misstatements are likely to arise, and determine the nature, timing and extent of procedures to be performed to address those areas and obtain a level of assurance that is meaningful to the intended users."</i></p> <p>We suggest that, to avoid misinterpretation of the term 'likely' in the above context, it would be appropriate to provide application material that explains what this term means in the context of the practitioner's assessment. For example, the practitioner's assessment is based on consideration of the inherent risk of areas of the subject matter information, e.g., complexity, in combination with any entity specific information that comes to his/her attention during obtaining an understanding of the subject matter and the environment in which the entity operates. It is the practitioner's judgement, having considered the balance of this information, that drives the determination of those areas of the subject matter information where material misstatements are considered 'likely' to arise, and is primarily based on the practitioner's intuition rather than an evaluation of the results of detailed procedures.</p>
Para 42(c)	Should Par 42(c) rather be included in Par 41 – additional procedures more linked to "reasonable level of assurance".
Para 43	<p>Paragraph does not address circumstances where the assurance engagement is in respect of processes or link to risk exposure refer par 41(a). We believe this requirement should refer to "identified" misstatements in the first instance.</p> <p>We also suggest that the approach adopted in the exposure draft of ISAE 3410 follows a more logical flow to the assessment of misstatements i.e., identify, communicate and request correction, and evaluation of the effect of uncorrected misstatements. We believe the principles in requirements 48 to 54 of ISAE 3410 are appropriate for all assurance engagements and therefore encourage the IAASB to consider whether these should be reflected in ISAE 3000. As a minimum we believe this section of requirements should address identification, accumulation, communication and correction of misstatements. See our related comment on paragraph 56 (b) that deals with evaluating uncorrected misstatements.</p>
Para 45(b)	This paragraph should be before 45(a).
Para 48	We question whether the wording of the requirement is sufficiently clear. We suggest an application paragraph may be useful to further explain what characteristics 'about' the measurement or evaluation of the underlying subject matter against the applicable criteria the practitioner may obtain from the measurer or evaluator.
Para 55	What is the consequence if subject matter does not refer to or describe the applicable criteria?
Para 56	Is it intended that this requirement apply to reasonable assurance engagements only or limited assurance engagements as well? The wording indicates that it is only applicable to a reasonable assurance engagement.

Paragraph	Comment
Para 56(a)	<p>Consistent with our previous comments, we recommend the following amendment to remove reference to "sufficiency and appropriateness":</p> <p><i>"The practitioner shall form a conclusion about whether the reported outcome of the measurement or evaluation of the underlying subject matter is free from material misstatement. In forming that conclusion, the practitioner shall consider:</i></p> <p><i>(a) The practitioner's conclusion in paragraph 44 regarding the sufficiency and appropriateness <u>evaluation of the evidence obtained</u>;</i></p>
Para 56(b) and A99	Please refer to our suggestion on paragraph 43 above. Consistent with that view we do not believe paragraph A99 adds any useful explanation to the two related requirements.
Para 57 and A136	<p>Consistent with our previous comments, we recommend the following amendment to remove reference to "sufficient appropriate evidence":</p> <p>Para 57 - <i>"If the practitioner is unable to obtain sufficient appropriate evidence <u>that provides a basis for forming a conclusion</u>, a scope limitation exists and the practitioner shall express a qualified conclusion, disclaim a conclusion, or withdraw from the engagement, where withdrawal is possible under applicable laws or regulations, as appropriate.</i></p> <p>Para A136 - <i>"An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate <u>audit evidence by performing alternative procedures.</u>"</i></p>
Para 59	Reference is made to emphasis of matter, but it is not mentioned elsewhere in the ISAE. What matters would be covered as emphasis of matter. Reference is also made to findings, how do they differ from qualifications?
Para 60(e)	What makes an inherent limitation significant? Would it matter to the reader of the report?
Para 60(i) and (j)	Concern that the implications in the requirements to include a reference in the assurance report to ISQC1 and IESBA Code of Ethics will not be understood by assurance practitioners other than professional accountants and auditors may not be fully understood where the assurance team comprises multi-disciplinary members with other professional qualifications such as chemical or mining engineers, pharmacists reporting on sustainability reports for example.
Para 60(k)	<p>Please refer to our comments in response to question 4. We also recommend the following revised wording for the second sentence:</p> <p><i>"In a limited assurance engagement the summary of the work performed shall state that the practitioner's procedures are more limited <u>less</u> than for a reasonable assurance engagement....."</i></p>
Para 60(k)	Clarify what wording would be used for a reasonable assurance engagement vs. a limited assurance engagement – example ISAE 3000 reports may be helpful. Otherwise likely to lead to confusion regarding the level of assurance expressed. Suggest that the guidance in Par 49(j) of the extant ISAE 3000 be incorporated into the Revised ISAE 3000.
Para 60(l)(iv)	<p>We believe it would be helpful to explain that a modified conclusion requires to be presented under an appropriate heading. We therefore suggest the following additional language:</p> <p><i>"Where the practitioner expresses a modified conclusion, the assurance report shall contain a clear description of the matter(s) giving rise to the modification <u>in a separate paragraph and use an appropriate heading for the conclusion paragraph</u> – "Qualified Conclusion", "Adverse Conclusion" or "Disclaimer of Conclusion" as</i></p>

Paragraph	Comment
	<u>appropriate.”</u>
Para 63(b)	We suggest the following additional wording: <i>“In the case of a limited assurance engagement, that, based on the procedures performed <u>and evidence obtained</u>, nothing has come to the attention of the practitioner.....”</i>
Para 63 – 67	It appears more logical to us that the requirements dealing with “unmodified and modified conclusions” (paragraphs 63-67) should immediately follow the content on “forming the assurance conclusion”. We therefore recommend that these requirements be moved to precede the section on “preparing the assurance report”.
Para 67	We suggest that this requirement could be presented more clearly, as follows: <i>“In those cases where the practitioner’s unqualified <u>is expressing a conclusion</u> would be that is 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, the practitioner shall either:</i> <i>(a) Express a qualified or adverse conclusion worded in terms of the underlying subject matter and the criteria (i.e., <u>conclude that the subject matter information is materially misstated consistent with the statement made by the measurer or evaluator</u>); or</i> <i>(b) If specifically required by the terms of the engagement to word the conclusion in terms of <u>the statement made by the measurer or evaluator</u>, express an <u>unqualified conclusion on that statement</u> but emphasize the matter <u>giving rise to the material misstatement of the subject matter information</u> by specifically referring to it in the assurance report.”</i> Refer also to our comment on paragraphs 64 and 65 in the second part of this appendix.
Para 67	Consideration should be given to including a paragraph following the conclusion paragraph in the report, regarding <u>Restriction on use and distribution</u> where the assurance report is prepared for a specific purpose and intended for specific users. Such paragraph may not be appropriate where the report is to be made available to a wide range of users.
Para A1	We believe the title of this paragraph creates the impression that the content is incorrectly located in the wider context of the engagement i.e., it feels odd to be referring to the practitioner’s conclusion as the first application guidance paragraph. We suggest the following revised title and wording would place this paragraph more in context. <u>“The Practitioner’s Conclusion-Multiple Element Engagements</u> <i>Where the subject matter information is made up of a number of <u>aspects elements</u> and the practitioner has been engaged to report on each of those elements, separate conclusions may be provided on each aspect. For example an entity may report on matters relating to sustainability and emissions in one document and request the practitioner to report separately on each of those elements. 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.”</i>
Para A2	We recommend the following minor wording change in the second sentence: <i>“In a limited assurance engagement, the practitioner performs a set of procedures <u>whose nature is different from, and their extent less than, that is limited compared with that necessary in a reasonable assurance engagement.....”</u></i>

Paragraph	Comment
Para A3	<p>We suggest the following amended wording for the third sentence:</p> <p><i>"The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence that provides a basis for forming in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement."</i></p>
Para A6(b)	<p>We recommend deleting "sufficient appropriate" from the second sentence as shown:</p> <p><i>"It is this obtaining of sufficient appropriate evidence that distinguishes a direct engagement from a mere compilation."</i></p>
Para A21	<p>We suggest that the guidance in paragraph A21 is of sufficient importance in setting the context of the application of the standard that it should be incorporated directly into paragraph 4.</p>
Para A27	<p>We recommend that this paragraph be moved to be application material to paragraph 8.</p>
Para A33	<p>We suggest that this is moved to the end of the application material on preconditions for the engagement, as it is presented as a specific industry example and should follow the explanation of the underlying principles.</p>
Para A37(b)	<p>Consistent with our previous comments, we recommend the following amendment to remove reference to "sufficient and appropriate":</p> <p><i>"Such that the information about it can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate."</i></p>
Para A41	<p>We believe that the example included in this paragraph is not an example with suitable criteria against which to measure and evaluate the subject matter. We suggest the following wording change to this paragraph so that the paragraph includes an example with suitable criteria:</p> <p><i>In some cases, the assurance engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to report on one aspect of an entity's contribution to sustainable development, such as a <u>the number of programs run by an entity that have positive environmental outcomes decreased water or energy usage</u>. In determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter in such cases, it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users, and also how the subject matter information will be presented and distributed, for example, whether there are more significant programs with less favorable outcomes <u>without decreased water or energy usage</u> that the entity is not reporting upon.</i></p>
Para A53	<p>Please refer to our comment on paragraph 20 (b)(v). In addition we question whether the final three bullets in this paragraph are related to the engagement having a rational purpose.</p> <p>The fifth bullet deals with limitations on scope – we suggest that this needs to be explained in the context of whether the scope of engagement would be meaningful to users as opposed to limitations on scope of the practitioner's work being imposed. We believe that the language used in paragraph 16 (a) of the exposure draft of ISAE 3410 provides an appropriate basis for developing more appropriate wording.</p> <p>The sixth and final bullets deal with risks or difficulties in achieving the objectives of the engagement. This is separate from the assessment of whether there is a</p>

Paragraph	Comment
	rational purpose. We suggest that this content be relocated, for example as part of acceptance and continuance considerations.
Para A58	<p>We suggest the following additional wording to explain that ISQC 1 requires more than simply compliance with ethical requirements:</p> <p><i>"ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that: (i) the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence, <u>applicable legal and regulatory requirements</u>, and (ii) that reports issued by the firm are <u>appropriate in the circumstances</u>. 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...."</i></p>
Para A68	<p>Consistent with our previous comments, we recommend the following amendment to remove reference to "sufficient and appropriate" in the first sentence:</p> <p><i>"In a direct engagement, the practitioner both measures or evaluates the underlying subject matter and obtains sufficient appropriate evidence about that measurement or evaluation."</i></p>
Para A75	<p>In the third bullet we suggest the following alternative wording:</p> <p><i>"Evaluating whether sufficient appropriate evidence <u>that provides a basis for forming a conclusion</u> has been obtained, and whether more needs to be done to achieve the overall objectives of ISAE 3000 and any relevant subject matter-specific ISAE."</i></p>
Para A86 (and A42 (b))	<p>We do not believe it is appropriate to extend consideration of materiality to 'relevant decisions' of users as opposed to 'economic decisions'. We do not believe there is a sufficient framework or approach that would guide the practitioner's judgements in interpreting what the 'decisions' of users may be. Applying the materiality concept to more complex qualitative disclosures, such as may be included in some assurance engagements, for example, GHG statements, is difficult and additional guidance will be useful. Without further guidance, and without the benefit of established benchmarks, practitioners are likely to struggle with this.</p>
Para A110	<p>Refer to our comment on paragraph 2 in the second part of this appendix. If the additional application guidance on reliance on a firm's quality control systems is added, based on our recommendation, then much of this application material can be deleted and a reference to that application guidance added to a shorter paragraph explaining its application in the context of a practitioner's expert.</p>
Para A124	<p>We recommend that two additional bullets be added, as follows:</p> <ul style="list-style-type: none"> • <i>"That known or suspected fraud and actual or possible non-compliance with laws and regulations, for which the effects may affect the subject matter information, have been disclosed to the practitioner; and</i> • <i>That significant events that have occurred subsequent to the measurement date and through to the date of the practitioner's report that may require adjustment to, or disclosure in, the subject matter information have been disclosed to the practitioner."</i>
Para A137	<p>Consistent with our previous comments we suggest the following alternative wording for the first sentence:</p>

Paragraph	Comment
	<p><i>"The set nature of procedures performed in a limited assurance engagement is, by definition, limited compared with different from, and their extent less than, that necessary in a reasonable assurance engagement."</i></p> <p>We also suggest it may be helpful to cross refer to this application material from paragraph 20 (b)(iii).</p>
Para A170 – A175	<p>We note that ISAE 3402 and ISAE 3410 include requirements relating to documentation principles and the final assembly of the engagement file that use identical text to the content included in these application material paragraphs. We believe such requirements, in compliance with ISQC1, are applicable to all assurance based engagements that will be performed in accordance with ISAE 3000 (Revised) and are of sufficient importance that they should have appropriate authority. As such, we find it inconsistent that these be treated as application material in the principles based standard but then repeated as replica requirements in subject matter-specific ISAEs.</p> <p>We, therefore, recommend that paragraphs A170 and A171 are elevated to requirements (using the language included in the exposure draft of ISAE 3410 (paragraphs 62 – 64, tailored as necessary to refer to the "appropriate party/(ies)")) and that paragraphs A172, A174 and A175 also be elevated to requirements (based on the form of language included in paragraphs 66 and 67 of ISAE 3410).</p> <p>We understand that it may be considered appropriate to reflect these requirements also in subject matter-specific ISAEs due to their overall importance. We have no objection to limited repetition but believe that the authority should be consistent for the reasons outlined above.</p> <p>Furthermore, we request the IAASB to consider whether the requirement in ISAE 3410 relating to documentation of matters arising after the date of the assurance report (paragraph 65) equally should be reflected in ISAE 3000, as this again would be considered to be a generic requirement applicable to all assurance engagements.</p>
ISAE 3000 Appendix and Assurance Framework Appendix 4	<p>We support the narrative description of the roles and responsibilities of the relevant parties to an assurance engagement. We recommend one minor amendment to point 2 (d) as follows:</p> <p><i>"The practitioner obtains sufficient appropriate evidence <u>that provides a basis for in order to expressing</u> 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."</i></p> <p>We support the inclusion of the diagram. We do, however, feel that the diagram does not articulate as effectively as it could, the relationships described in the narrative, in particular the relationship of the practitioner to the assurance report and the differing role of the practitioner in an attestation versus a direct engagement. We urge the IAASB to consider whether revisions can be made to the diagram to convey more effectively to readers these relationships.</p>

Changes to the Proposed ISAE 3000 (Revised) to align with the Proposed ISRE 2400 (Revised)

We believe the following matters, that are common to both standards, have been addressed more appropriately, or have used clearer language, in the Proposed ISRE 2400 (Revised) and suggest that the Proposed ISAE 3000 (Revised) be aligned to be consistent.

Paragraph	Comment
Para 2	We suggest that additional application material that places into context how the engagement team may rely on the firm's quality control systems is appropriate. We, therefore, recommend that paragraphs A6-A8 from ISRE 2400 (Revised) be added immediately following paragraph A59. Refer also to our related comments on paragraph 29.
Para 8	We suggest the following introduction to this paragraph, consistent with ISRE 2400 (Revised): <i>"The Handbook's Glossary of Terms (the Glossary) includes the terms defined in this ISAE, and also includes descriptions of other terms found in this ISAE, to assist in common and consistent interpretation and translation."</i>
Para 17	We suggest that the application material in ISRE 2400 (Revised) paragraphs A31, A32 and A34 - A35 would be appropriate application material for this requirement and acts as an overarching introduction to the application material on acceptance and continuance (preceding current paragraph A33).
Para 21	In conjunction with our comment on paragraph 26 below, in relation to the deleted final sentence, we suggest this paragraph be amended, as follows: <i>"If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement unless required by laws or regulations to do so. However, an engagement conducted under such circumstances does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 or any other ISAE(s)."</i>
Para 23 and A54	We suggest additional wording for the first sentence as follows: <i>"The practitioner shall agree the terms of the engagement with the engaging party, prior to performing the engagement."</i> While acknowledging the statement in paragraph A54 that the form and content of the engagement letter may vary with the engagement circumstances, we believe it would be appropriate to include guidance that set out matters that the engagement letter would ordinarily be expected to address. This may draw on the content of ISRE 2400 (Revised) paragraphs 35, A55 and A56, tailored accordingly.
Para 24	We recommend the inclusion of application material consistent with paragraph A60 of ISRE 2400 (Revised).
Para 25 and A56	We recommend that the additional application guidance given in ISRE2400 (Revised) paragraphs A61 and A63, tailored accordingly, be included in relation to this requirement. We further recommend that an additional requirement be included, immediately following paragraph 25, based on paragraph 39 of ISRE 2400 (Revised), as follows: <i>"If the terms of engagement are changed during the course of the engagement, the practitioner and the engaging party shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement."</i>

Paragraph	Comment
Para 26	<p>Further to our comments in the first section of this appendix and paragraph 21 above, we believe that the order and flow of the requirements could be improved. We recommend that paragraph 26 be moved to follow paragraph 22.</p> <p>We also suggest that the structure of paragraph 33 of ISRE 2400 (Revised) is clearer and may help to better articulate the aim of requirements 26 and 62. We recommend the following revised wording:</p> <p>"In some cases, laws or regulations of the relevant jurisdiction prescribe the layout or wording of the assurance report. In these circumstances, t <u>In some cases when the review is performed pursuant to applicable law or regulation of a jurisdiction, the relevant law or regulation may prescribe the layout or wording of the practitioner's report in a form or in terms that are significantly different from the requirements of this ISAE. In these circumstances:</u></p> <p><u>(a) The practitioner's report shall refer to this ISAE and any subject matter specific ISAE only if the report complies with the requirements of paragraph 60; and</u></p> <p><u>(b) The practitioner shall evaluate:</u></p> <p style="padding-left: 40px;"><u>(ai) Whether intended users might misunderstand the assurance obtained from the engagement; and</u></p> <p style="padding-left: 40px;"><u>(bij) If so, whether additional explanation in the assurance report can mitigate possible misunderstanding.</u></p> <p><u>If the practitioner concludes....."</u></p> <p>We also believe that inclusion of application material, which may be based on paragraphs A54 and A142 of ISRE 2400 (Revised), tailored accordingly, may further help illustrate this point.</p>
Para 29	<p>With the exception of ISRE 2400 (Revised) paragraph 24 (a)(ii), which deals with the assignment of the team (dealt with separately in ISAE 3000 (Revised) paragraph 28), we believe all other clauses in ISRE 2400 (Revised) paragraph 24 and ISAE 3000 (Revised) paragraph 29 have the same intended aim and should therefore use the same language to achieve consistency across these standards.</p> <p>i) We recommend the following change to the introductory sentence:</p> <p style="padding-left: 40px;"><i>"The engagement partner shall take responsibility for the overall quality on of the engagement."</i></p> <p>ii) We suggest that part (a) apply the language used in ISRE 2400 (Revised) paragraph 24 (a)(i).</p> <p>Paragraph A30 of ISRE 2400 (Revised) would be appropriate application material to be linked from this paragraph, in setting the overall context of the engagement partner's responsibilities. We recommend this follow the additional application material that we have suggested in our comment on paragraph 2 above.</p>
Para 31	<p>The paragraph does not address cross-border implications for monitoring of assurance engagements for global and /or "network" firms and implications of deficiencies noted.</p> <p>We suggest the first sentence in ISRE 2400 (Revised) paragraph 26 be added, as follows:</p> <p><i>"An effective system of quality control for a firm includes a monitoring process designed to provide the firm with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate and operate effectively."</i></p>
Para 52	<p>We suggest that the structure of the requirement in ISRE 2400 (Revised) is clearer and suggest the following alternative requirement:</p> <p><i>"If, in relation to the written representations required under paragraphs 47-49,:</i></p>

Paragraph	Comment
	<p>(a) The responsible party(ies) does not provide the written representations; or</p> <p>(b) The practitioner concludes that there is cause to doubt the competence, integrity or ethical values of those providing the written representations such that the written representations provided are not reliable,</p> <p>the practitioner shall discuss the matter with the appropriate party(ies), and if the responsible party(ies) continue to refuse to provide required representations,</p> <p>(i) Determine whether a scope limitation exists, and</p> <p>(ii) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report in accordance with paragraph 57."</p>
<p>Para 64, 65 and A164 – A165</p>	<p>We believe that the content of these requirements could be presented in a manner that more clearly conveys the appropriate form of conclusion to be expressed.</p> <p>We also suggest that it is important to link the requirement in paragraph 64 (b) to the application material in paragraphs A154 – A157 that explains the nature of the practitioner's conclusion under an attestation and a direct engagement, as this is fundamental to understanding what this requirement is trying to describe. Our recommended wording is as follows:</p> <p>Para 64 - "The practitioner shall express a modified conclusion when the following circumstances exist and, in the practitioner's professional judgment, the effect of the matter is or may be material:</p> <p>(a) When a scope limitation exists (see paragraph 57). In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion.</p> <p>(b) When:</p> <p>(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</p> <p>(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. (Ref: Para. A164, <u>A154 – A157</u>–A165)</p> <p>In such cases, the practitioner shall express a qualified or adverse conclusion.</p> <p>Para 65 – We suggest this paragraph is based on the wording that is used in ISRE 2400 (Revised), tailored accordingly, which we believe is clearer:</p> <p>"Where the practitioner determines that a modified conclusion is necessary in the circumstances:</p> <p>(a) The practitioner shall express:</p> <p>(i) A qualified conclusion, when the practitioner concludes that the effects of the matter(s) giving rise to the modification are material, but not pervasive to the subject matter information. A qualified conclusion is expressed as being "except for" the effects, or possible effects, of the matter to which the qualification relates; or</p> <p>(ii) An adverse conclusion, when the effects of the matter(s) giving rise to the modification are both material and pervasive to the subject matter information; or</p> <p>(b) When the practitioner is unable to obtain evidence as the basis for a conclusion (that is, where a scope limitation exists), the practitioner shall:</p> <p>(i) Express a qualified conclusion when the practitioner concludes that the possible effects on the subject matter information of undetected misstatements, if any, could be material but not pervasive to the subject matter information; or</p> <p>(ii) Disclaim a conclusion when the practitioner concludes that the possible effects of undetected misstatements, if any, could be both material and pervasive to the subject matter information."</p>

Paragraph	Comment
	While paragraph 65 describes how a qualified conclusion is to be expressed, we also suggest that some form of guidance is necessary to explain the general form of wording to be applied when expressing an adverse conclusion or disclaiming a conclusion. We support the decision not to provide any illustrative reports. However, in doing so we therefore believe it is necessary to articulate in the application guidance how an adverse or disclaimer of conclusion is ordinarily expressed.
Para 68	We suggest that paragraph A67 in ISRE 2400 (Revised) adapted as appropriate be added as further application material to this paragraph.
Para A23 – A26	We note that this application material describes the content of the standard and its relevant authority. We question whether some, or all, of this content should be presented in the introductory material of the standard to give this greater prominence and to ensure readers understand the construct of the standard. We also suggest that paragraphs 9-11 in the exposure draft of ISRE 2400 (Revised) are written in plainer language and could directly replace paragraphs A23 and A25, tailored accordingly.
Para A70	We recommend an additional bullet as follows: <i>“Conditions that may indicate possible fraud.”</i>
Para A71	We suggest the following amended wording for the second bullet: <i>“Over generalizing when drawing conclusions from <u>observations evidence obtained.</u>”</i>
Para A77	We recommend that the following bullets (amended as shown) from ISRE 2400 (Revised) paragraph A27 be appended to this paragraph as shown: <ul style="list-style-type: none"> • <i>“Knowledge acquired from engagements carried out for the entity’s financial statements in prior periods, where applicable.</i> • <i>The practitioner’s understanding of the business, including the <u>accounting measurement principles and practices of the industry in which the entity operates, and of the entity’s accounting systems.</u></i> • <i>The extent to which particular items in the <u>financial statements subject matter information</u> are affected by management judgment.”</i>
Para A96	We suggest that the following additional wording be appended to this paragraph, consistent with its use in ISRE 2400 (Revised): <i>“The practitioner’s judgment about the nature, timing and extent of additional procedures that are needed is guided by information obtained from the practitioner’s evaluation of the results of the procedures already performed, and the practitioner’s updated understanding obtained in the course of the engagement.”</i>