

Basis for Conclusions
Prepared by the Staff of the IAASB
December 2013

*International Standard on Assurance
Engagements*

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

**International Framework for
Assurance Engagements**

and

**Related Conforming
Amendments**

IAASB

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The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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BASIS FOR CONCLUSIONS:

ISAE 3000 (REVISED), ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

This Basis for Conclusions has been prepared by staff of the International Auditing and Assurance Standards Board (IAASB). It relates to, but does not form part of, International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which was approved by the IAASB in September 2013, together with conforming amendments to the *International Framework for Assurance Engagements* (Assurance Framework) and ISAEs 3402,¹ 3410² and 3420.³

ISAE 3000 (Revised) was approved with the affirmative votes of 17 out of 18 IAASB members.⁴ The conforming amendments to the Assurance Framework were approved with the affirmative votes of 14 out of 18 IAASB members.⁵ The conforming amendments to ISAE 3402 and 3410 were approved with the affirmative votes of 17 out of 17 IAASB members⁶ in attendance, and the conforming amendments to ISAE 3420 were approved with the affirmative votes of 16 out of 17 members⁷ in attendance.

Background

1. In approving extant ISAE 3000 in 2003, the IAASB acknowledged that assurance services other than audits and reviews of historical financial information are an evolving field. Accordingly, the IAASB decided at that time to keep practical implementation of ISAE 3000 under review. Since then, practitioners and national standard setters have gained experience with ISAE 3000, and, in October 2008, the IAASB undertook a survey of national standard setters and others in several countries regarding their experiences. The survey results overall indicated that extant ISAE 3000 is being applied in practice around the world without serious difficulty. Nonetheless, respondents identified a number of opportunities for revising ISAE 3000 to clarify how some of the underlying concepts should be applied in practice.
2. In March 2009, the IAASB commenced a project to revise ISAE 3000. The main objectives of the revision were to incorporate enhanced requirements and guidance in the light of experiences with extant ISAE 3000 and the growing use of it internationally, and to adopt the IAASB's clarity drafting conventions.

¹ ISAE 3402, *Assurance Reports on Controls at a Service Organization*

² ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

³ ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*

⁴ One IAASB member abstained from voting. For a full record of the voting on ISAE 3000 (Revised) and the conforming amendments, see the minutes of the September 16–20, 2013 IAASB meeting at www.ifac.org/auditing-assurance/meetings/new-york-usa-3 under the heading "Minutes."

⁵ Two IAASB members abstained from voting, and two IAASB members voted against approval.

⁶ One IAASB member was not in attendance on the day of voting on these conforming amendments at the September 2013 IAASB meeting and was therefore ineligible to vote.

⁷ See footnote 6. In addition, one IAASB member abstained from voting.

3. The project proposal noted that conforming amendments may be needed to the Assurance Framework and other ISAEs, although it should not entail revisiting conceptual matters settled at the time the Assurance Framework was issued. However, the IAASB acknowledged some clarification of conceptual matters may be necessary when a particular need to do so has been identified through experience with ISAE 3000. In addition, the project proposal noted that conforming amendments may be needed to the subject matter-specific ISAEs.
4. In March 2011, the IAASB approved proposed revised ISAE 3000 (ED-3000) for exposure together with conforming amendments to the Assurance Framework, ISAE 3402 and ISAE 3410.⁸ The comment period for ED-3000 closed on September 1, 2011. Fifty-seven comment letters were received from various respondents, including regulators and oversight bodies, national auditing standard setters, public sector organizations, IFAC Member Bodies and other professional organizations, accounting firms, and individuals.
5. This Basis for Conclusions explains the more significant issues raised by respondents to ED-3000, and how the IAASB has addressed them.
6. The IAASB has also discussed this project with the IAASB Consultative Advisory Group on eight occasions, including prior to the issuance of ED-3000 and prior to the finalization of the standard.

Direct Engagements

7. ED-3000 covered both attestation engagements and direct engagements and set out definitions of both types of engagements. ED-3000 also included a change in terminology from “assertion-based” and “direct reporting” engagements to “attestation” and “direct” engagements and noted that the distinction between the two types of engagements was focused on who is making the measurement or evaluation of the underlying subject matter against the criteria. In addition, ED-3000 introduced new application and other explanatory material addressing direct engagements. This material included an explanation of the nature of direct engagements, and their differences from, and similarities to, attestation engagements.
8. Respondents broadly supported the IAASB’s proposed changes in terminology to “attestation engagements” and “direct engagements” and to provide additional clarification and guidance on direct engagements. Many respondents also noted that they found that ED-3000 properly defined, and explained the differences between, direct engagements and attestation engagements, or did not raise concerns with IAASB’s proposals. However, other respondents, particularly from the public sector, raised specific concerns with respect to the application of certain of the concepts in ED-3000 to direct engagements. They noted that some of the definitions, requirements, and application and other explanatory material had a strong attestation focus not always appropriate for direct engagements. In particular, these respondents were of the view that the definition of the term “misstatement” and related requirements did not reflect how direct engagements are commonly performed in practice. In addition, it was noted that the term “proper measurement or evaluation,” as used in the context of the definition of misstatements in ED-3000 was not sufficiently developed as a concept in relation to direct engagements.
9. Some respondents from the public sector also expressed concern that the requirements and guidance pertaining to direct engagements were insufficiently tailored for direct engagements. It

⁸ Conforming amendments were not proposed to ISAE 3420 in ED-3000 as the IAASB was actively considering comments received on exposure at the time.

was suggested that more application material was needed on direct engagements, and that such material should further reinforce the differentiation between direct and attestation engagements.

10. More broadly, however, respondents noted that ED-3000 was difficult to read, and difficult to interpret from a practitioner's point of view, due to the inclusion of both attestation engagements and direct engagements in a single standard.
11. Respondents also 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.

IAASB Decisions

12. After extensive deliberation, the IAASB concluded that ISAE 3000 (Revised) should be written in the context of attestation engagements only, rather than both attestation engagements and direct engagements. Nonetheless, the IAASB concluded that the ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances. (See *paragraph 2 of ISAE 3000 (Revised)*.)
13. In arriving at this decision, the IAASB pursued the further development of ED-3000 in relation to direct engagements, recognizing that having a single umbrella standard for all assurance engagements (other than audits or reviews of historical financial information) addressing both attestation and direct engagements would be of use to both public and private sector practitioners. The IAASB also supported the change in terminology to "attestation" and "direct" engagements. (See *paragraph 12(a)(ii) of ISAE 3000 (Revised)*.)
14. In pursuing the further development of ED-3000, the IAASB explored amendments to the concept of "misstatement" and related requirements to improve their relevance to both attestation and direct engagements and to clarify their specific application to direct engagements. In addition, the IAASB explored a columnar format for presenting requirements for direct and attestation engagements in key work effort paragraphs in order to more clearly differentiate them for each type of engagements, together with additional application material addressing application to direct engagements. As part of this work, the IAASB held discussions with experts in direct engagements and public sector practitioners, as well as with the International Ethics Standards Board for Accountants (IESBA) with respect to independence in direct engagements.
15. Notwithstanding these further efforts, the IAASB observed at its April 2013 meeting that the revised draft standard continued to use concepts that practitioners performing direct engagements associate with attestation engagements, which may cause such practitioners difficulty in applying the ISAE. It was noted that a resolution to the issue may require some revision of the fundamental concepts embedded in the Assurance Framework, which was beyond the scope of the project. Further, the IAASB concluded that the inclusion of both direct and attestation engagements in the draft ISAE resulted in a standard that was difficult to understand, and that the language and terminology necessary to support both types of engagements made the draft standard overly complex. As a result, the draft standard would be difficult to apply in practice. .
16. The IAASB considered, but rejected, the option of delaying the finalization of ISAE 3000 (Revised) pending the development of a separate standard addressing direct engagements and, as applicable, revision of the Assurance Framework. The IAASB did not believe it to be in the public interest to delay implementation of improvements in the assurance standard for attestation

engagements in light of the existing and growing use of the ISAE. Nonetheless, the IAASB noted that consideration of any future work on revising the Assurance Framework or developing a specific standard for direct engagements can be undertaken when the IAASB deliberates its future strategy and work program. The IAASB also encouraged monitoring of developments in national standards on direct engagements to better inform any future IAASB work on the subject.

17. The IAASB also considered, but rejected, stating that, while ISAE 3000 (Revised) is written in the context of attestation engagements, it is also required to be applied in direct engagements, adapted as necessary in the circumstances. In making this decision, the IAASB noted that ISAE 3000 (Revised) contains more specific requirements than extant ISAE 3000 and therefore concluded it would not be appropriate to require application without providing requirements or guidance specifically addressing the application of the ISAE to direct engagements.
18. As a result of this decision, the IAASB removed the limited additional guidance on direct engagements that was included in ED-3000, except for the definition of “direct engagement” in order to assist practitioners in distinguishing direct engagements from attestation engagements.
19. The IAASB also held discussions with the IESBA with respect to the concept of independence in direct engagements. A direct engagement is an assurance engagement. The independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 291 of the *Code of Ethics for Professional Accountants* issued by the IESBA (IESBA Code) and therefore do not need to be addressed in ISAE 3000 (Revised).

Reasonable Assurance and Limited Assurance

20. Consistent with extant ISAE 3000, ED-3000 recognized that two levels of assurance are possible for engagements covered by the standard: reasonable assurance and limited assurance. ED-3000 explained that a reasonable assurance engagement is one 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. Like the extant ISAE, the ED-3000 definition of limited assurance explained its relationship to reasonable assurance by highlighting that, in a limited assurance engagement, the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. The definition also explained that, while the set of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement, the set of procedures performed is planned to obtain a level of assurance that is, in the practitioner’s professional judgment, meaningful to the intended users.
21. ED-3000 also explained that the practitioner’s conclusion in a reasonable assurance engagement is expressed in a form that conveys the practitioner’s opinion on the outcome of the measurement or evaluation of the underlying subject matter. In comparison, the definition of a limited assurance engagement explained that the practitioner’s conclusion is expressed in the 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.
22. Broadly, respondents supported the definitions in ED-3000 of reasonable assurance and limited assurance. However, notwithstanding this support respondents, in general, noted that reasonable and limited assurance should be better distinguished, and that further additional application material was needed to help explain and clarify the differences between them.

23. Respondents variously also suggested that labels, such as “positive assurance” for reasonable assurance and “negative assurance” for limited assurance, may provide a clearer signal of the IAASB’s intentions regarding the levels of assurance than the definitions themselves. In addition, it was questioned whether the clarity of the meaning of reasonable assurance, including how it compares to limited assurance, would be enhanced if the definition of reasonable assurance were to refer to the level or degree of assurance obtained (such as “high but not absolute”). Some respondents further noted that the difference in the definitions between reducing engagement risk to an “acceptably low” level for reasonable assurance, and “acceptable in the circumstances of the engagement” for limited assurance, is too subtle to clearly indicate the IAASB’s intentions.
24. In relation to the definition of limited assurance, respondents suggested it was too dependent on user needs, and this may lead to inconsistent application. Respondents also variously suggested that the term “moderate” be used to describe limited assurance; and for the IAASB to consider providing examples of limited assurance engagements to help illustrate the definition. In addition, a few respondents were of the view that limited assurance should be driven by procedures rather than the evidence or assurance to be obtained.

IAASB Decisions

25. After extensive deliberation, the IAASB concluded that, as noted in the project proposal, the definitions of reasonable assurance and limited assurance should only be subject to changes to clarify the existing fundamental concepts within the Assurance Framework and extant ISAE. In arriving at this conclusion, the IAASB noted the broad level of support by the majority of respondents for the definitions included in ED-3000 of reasonable and limited assurance. The IAASB also reaffirmed its view that, in light of the extensive debate and due process that preceded approval of extant ISAE 3000 and the Assurance Framework in 2003, including the publication of three exposure drafts, the revision of the ISAE should not entail revisiting conceptual matters settled at the time of revising the Assurance Framework; such matters include the definitions of reasonable and limited assurance.
26. Nevertheless, the IAASB agreed with respondents’ suggestion to include in ISAE 3000 (Revised) additional application material highlighting how the nature and extent of procedures may vary between reasonable assurance and limited assurance engagements. The IAASB is of the view that such additional material will further assist in differentiating limited assurance engagements from reasonable assurance engagements, and further promote consistent application of the standard to limited assurance engagements. *(See paragraph A3 of ISAE 3000 (Revised).)*
27. The IAASB also agreed that further understanding of limited assurance would be achieved by elaborating on the concept included in ED-3000 of “a level of assurance that is meaningful to intended users.” In this regard, and using wording drawn from the extant Assurance Framework, ISAE 3000 (Revised) clarifies that, to be meaningful, the level of assurance obtained by the practitioner in a limited assurance engagement is a level that is likely to enhance the intended users’ confidence about the subject matter information to a degree that is clearly more than inconsequential. ISAE 3000 (Revised) also includes additional application material providing further explanation of this concept. *(See paragraphs 12(a)(i)(b) and A4–A7 of ISAE 3000 (Revised).)*
28. In considering respondents’ suggestion for labels, such as “positive assurance” and “negative assurance,” the IAASB noted that such labels tended to underplay the level of assurance obtained by the practitioner in a limited assurance engagement. The IAASB also noted that the practitioner’s

report is the primary vehicle for explaining to users the assurance obtained in any engagement, and that a summary of the practitioner's procedures would be more meaningful to users than a general label. It is noted, however, that the term "positive" has still been used to describe the practitioner's conclusion in a reasonable assurance engagement as the use of "positive" was the best way of communicating the common feature of the different forms of conclusion that are possible in reasonable assurance engagements. (See paragraph 69(l)(ii) of ISAE 3000 (Revised).)

29. In considering respondents' suggestion for quantified levels of assurance, such as "high" and "moderate", for reasonable and limited assurance respectively, the IAASB concluded that this is not achievable as neither the IAASB nor practitioners are able to articulate precise levels of assurance. This is because ISAE 3000 (Revised) applies to a wide variety of underlying subject matters with differing inherent limitations for their measurement, evaluation and evidence and the need for professional judgment in determining the assurance needed to issue an assurance conclusion, whether for reasonable or limited assurance.
30. The IAASB also concluded that, consistent with the IAASB's position adopted in ISRE 2400 (Revised)⁹ and ISAE 3410, limited assurance engagements performed under ISAE 3000 (Revised) should be driven by evidence obtained, rather than by the procedures performed. In particular, the IAASB noted that specifying particular procedures for limited assurance engagements, such as inquiry and analytical procedures, would likely not be appropriate in all limited assurance engagements given the broad range of engagement circumstances to which ISAE 3000 (Revised) may apply. These decisions are consistent with the basic concepts in the extant Assurance Framework and extant ISAE 3000.

The Practitioner's Work Effort

31. ED-3000 addressed the work effort required of practitioners for both reasonable and limited assurance engagements, as well as the differential work effort required depending on whether the practitioner is undertaking a reasonable assurance or a limited assurance engagement.
32. Among other matters, ED-3000 clarified the requirements of the practitioner with respect to the procedures to be performed in a limited assurance engagement. In particular, the practitioner was required to determine the nature, timing and extent of the procedures to be performed to obtain a level of assurance that is meaningful to intended users. This determination was to be made based on the practitioner's understanding of the underlying subject matter, and other engagement circumstances, and the practitioner's consideration of areas where material misstatements are likely to arise. However, unlike in a reasonable assurance engagement, the practitioner is not required in all limited assurance engagements to perform a risk assessment or obtain an understanding of internal control over the preparation of the subject matter information as a basis for identifying such areas.
33. Further, ED-3000 required that, if the practitioner in a limited assurance engagement becomes aware of a matter(s) that causes the practitioner to believe the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to: conclude that the matter(s) is not likely to cause the subject matter

⁹ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

information to be materially misstated; or determine that the matter(s) causes the subject matter information to be materially misstated.

34. While broadly supportive of the requirements and application material in ED-3000 addressing the practitioner's work effort for reasonable and limited assurance engagements, respondents variously suggested areas where additional requirements would strengthen the quality and consistency of the practitioner's considerations when undertaking either reasonable or limited assurance engagements. In addition, respondents noted that ED-3000 did not always make entirely clear the differences in work effort between reasonable assurance and limited assurance engagements, and therefore the assurance to be obtained.
35. With respect to limited assurance engagements, many respondents were of the view that an understanding by the practitioner of the responsible party's internal control would appear to be necessary in the circumstances, although this should be at a high level for purposes of obtaining limited assurance. In addition, in relation to the proposed requirement for the practitioner to perform additional procedures when the practitioner believes that the subject matter information may be materially misstated, a particular concern was noted concerning whether the wording in ED-3000 would force practitioners to perform procedures even when the risk of material misstatement is remote, due to the use of the wording "...may be materially misstated."

IAASB Decisions

36. The IAASB accepted respondents' views that further consideration of additional requirements covering work effort in either a reasonable assurance or limited assurance engagement is important in order to ensure that the ISAE serves as a robust umbrella standard for assurance engagements covering a broad range of subject matters.
37. In particular, the IAASB noted that many underlying subject matters may involve consideration of the role of an internal audit function, responsible party's or measurer's or evaluator's expert, or may involve work performed by another practitioner or a practitioner's expert. Accordingly, the IAASB introduced additional requirements and guidance addressing:
 - Inquiries of the appropriate party(ies) regarding: any actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information; activities and findings of the responsible party's internal audit function, if one exists, with respect to the subject matter information; and the responsible party's use of experts, if any, in the preparation of the subject matter information (*See paragraph 45 of ISAE 3000 (Revised).*)
 - The practitioner's responsibilities when using the work of a responsible party's or measurer's or evaluator's expert, or an internal auditor. (*See paragraphs 54, 55 and A73 of ISAE 3000 (Revised).*)
38. In respect of limited assurance engagements, the IAASB concluded that further strengthening the requirements pertaining to the required understanding of the underlying subject matter was warranted. In particular, among other changes, the IAASB agreed to:
 - Enhance the practitioner's "risk aware" approach. Specifically, ISAE 3000 (Revised) now requires the practitioner to obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to enable the practitioner to identify areas where a material misstatement of the subject matter information is likely to arise, and thereby provide

a basis for designing and performing procedures and obtaining limited assurance to support the practitioner's conclusion. (See paragraph 46L of ISAE 3000 (Revised).)

- Require the practitioner to consider the process used to prepare the subject matter information. In establishing this requirement, the IAASB believes that this is responsive to the call for practitioners performing limited assurance engagements to be better informed about how the measurer/evaluator prepared the subject matter information, yet without requiring a full understanding of internal control relevant to the engagement as is required for reasonable assurance engagements in keeping with the lower level of assurance embodied in limited assurance engagements. (See paragraph 47L of ISAE 3000 (Revised).)
39. In relation to the clarity of the ISAE, the IAASB decided that ISAE 3000 (Revised) should adopt the use of columns to separate key requirements where the work effort differs between reasonable and limited assurance. The IAASB considers this approach, consistent with that used in ISAE 3410, as a transparent and effective way to distinguish the work effort and, therefore, the two levels of assurance. (See paragraphs 17 and 46–49 of ISAE 3000 (Revised).)
40. The IAASB re-affirmed its view that the proposed trigger for additional procedures in a limited assurance engagement, as set out in ED-3000, is appropriate, including the use of the wording “may be materially misstated”. The IAASB also noted that the intent is for this requirement to apply only if the practitioner becomes aware of a relevant matter(s) that causes the practitioner to have this belief. This is in contrast to, for example, merely being aware of a risk of material misstatement when planning the engagement. Therefore no changes were made to the requirement in this regard. The IAASB agreed, however, with respondents’ observations that additional guidance would be useful in relation to the actions of the practitioner after becoming aware of a matter that may cause the practitioner to believe that the subject matter information is materially misstated. As a result, additional application material was added to assist in application of the requirement to make it clear that the extent of procedures to be performed would be a matter of professional judgment, and would be based on the likelihood of material misstatement. (See paragraphs 49L, A108, A111 and A113–A117 of ISAE 3000 (Revised).)
41. In concluding on this matter, the IAASB explored alternative ways of describing the work effort for limited assurance, one which used the term “acceptable level of risk” in key work effort paragraphs. The IAASB concluded that the use of “may”, “likely” and “not likely” in the work effort paragraphs was preferable as it fulfilled the need for clear and understandable work effort paragraphs that distinguished between limited and reasonable assurance, and would be more practical to operationalize rather than the concept of “acceptable level of risk.”

Suitable Criteria

42. Consistent with the extant Assurance Framework and extant ISAE 3000, an essential consideration in assurance engagements is the presence of suitable criteria. ED-3000 retained this essential consideration, proposing that it be part of the practitioner's determination of whether the preconditions for an assurance engagement are present. While broadly supportive of the proposal, respondents nonetheless re-emphasized the importance of the practitioner's consideration of whether the criteria are suitable, and encouraged the IAASB to explore whether further emphasis could be given in the ISAE to this matter.

IAASB Decisions

43. The IAASB concurred with respondents in this regard. Accordingly, the IAASB agreed the following:
- To explicitly identify in the requirements the characteristics required to be exhibited by suitable criteria as part of the required considerations by the practitioner when determining whether the preconditions for an assurance engagement are present. (See *paragraph 24(b)(ii) of ISAE 3000 (Revised)*.)
 - To require the practitioner to determine whether the criteria are suitable for an assurance engagement. Application material also explains that:
 - The practitioner may be able to identify one or more aspects of the underlying subject matter for which those criteria are suitable (see *paragraph A36 of ISAE 3000 (Revised)*);
 - Criteria may be suitable for a particular set of engagement circumstances, but may not be suitable for another set (see *paragraph A47 of ISAE 3000 (Revised)*); and
 - If the practitioner discovers after engagement acceptance that some or all of the criteria are unsuitable (or some or all of the underlying subject matter is not appropriate) for an assurance engagement, to take action including considering withdrawing from the engagement. (See *paragraphs 41 and 43 of ISAE 3000 (Revised)*.)

The Practitioner's Report

Describing the Practitioner's Procedures in the Assurance Report

44. For both reasonable assurance and limited assurance engagements, ED-3000 required the practitioner's report to include an informative summary of the work performed as the basis for the practitioner's conclusion to help intended users understand the nature of the assurance conveyed.
45. In the case of a limited assurance engagement, ED-3000 noted that an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance conveyed by the practitioner's conclusion. Therefore, ED-3000 explained that it is important that the summary be written in an objective way that allows an appreciation by intended users of the nature, timing and extent of procedures performed as the basis for the practitioner's conclusion.
46. A significant majority of the respondents supported the summary of work performed as the basis for the practitioner's conclusion for both reasonable and limited assurance engagements. Those who did not support it highlighted the potential for misleading users into believing that limited assurance involved a higher level of assurance than reasonable assurance due to the potential for practitioners to include a greater amount of information about the engagement procedures.
47. Respondents expressed varied views with respect to whether further requirements or guidance were needed on the level of detail for the summary of work performed described in the limited assurance report. While the majority of respondents did not believe further requirements were needed, others believed that further guidance material was needed in either ISAE 3000 or in the topic-specific ISAEs. Others expressed the view that the practitioner's limited assurance report should detail the procedures that would have been undertaken in a reasonable assurance engagement.

IAASB Decisions

48. The IAASB re-affirmed its view that it is appropriate for ISAE 3000 (Revised) to require a summary of work performed in the practitioner's report. In this regard, the IAASB noted that such a summary assists users in understanding the level of assurance obtained by the practitioner, as observed by a number of respondents. The IAASB also noted that the ISAE requires that the practitioner's report in a limited assurance engagement includes a statement that the practitioner's procedures vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The IAASB is of the view that this mitigates the potential that the summary 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 conclusion. *(See paragraph 69(k) of ISAE 3000 (Revised).)*
49. The IAASB also re-affirmed its view that ISAE 3000 (Revised) should guide the practitioner's consideration of the level of detail for the summary of the practitioner's procedures for a limited assurance engagement, but not specify in the requirements the level of detail to be provided. The IAASB noted that the summary of procedures in a limited assurance report needs to be more detailed to enable users to understand the assurance obtained by the practitioner. Further, the IAASB also concluded that, while the summary of procedures for a limited assurance engagement may identify procedures that would have been undertaken in a reasonable assurance engagement, a complete identification of all procedures that would have been performed in a reasonable assurance engagement may not be possible as the practitioner did not undertake a risk assessment. *(See paragraphs A173–A175 and A177 of ISAE 3000 (Revised).)*
50. In light of respondents' comments, however, the IAASB agreed that the application of the requirements would be further enhanced through additional guidance material that highlights factors that may be considered in determining the level of detail to be provided in the summary of the work. *(See paragraph A176 of ISAE 3000 (Revised).)*

Further Guidance on the Practitioner's Report

51. While acknowledging that ED-3000 applies to a broad range of potential assurance engagements, respondents variously observed that additional guidance illustrating how different aspects of the reporting requirements in the ISAE may be applied would be of benefit to practitioners. Among others matters, respondents noted that ED-3000 mentioned the concept of the use of Emphasis of Matter paragraphs in the practitioner's report, yet did not further elaborate, establish requirements or provide application material to support the application of this concept in assurance engagements covered by the standard. Respondents also believed an illustrative report was needed to show how the elements of the reporting requirements, including the summary of procedures, may operate in practice.

IAASB Decisions

52. The IAASB agreed that the consistent application of the ISAE would be improved by introducing additional guidance illustrating how aspects of its reporting requirements may be applied. Accordingly, the IAASB added application material addressing, among others:

- Illustrative examples of statements regarding quality control and ethical standards. (See paragraphs A171 and A172, respectively, of ISAE 3000 (Revised).)
 - Illustrative examples of different forms the practitioner's conclusion may take for reasonable assurance and limited assurance engagements. (See paragraphs A178 and A180, respectively, of ISAE 3000 (Revised).)
 - Illustrative examples of qualified and adverse conclusions and a disclaimer of conclusion. (See paragraph A190 of ISAE 3000 (Revised).)
 - Illustrative examples of other forms of expression that may be useful for different underlying subject matters, such as "in compliance with" for compliance engagements and "fairly presents" for criteria that is aimed at achieving fair presentation. (See paragraph A181 of ISAE 3000 (Revised).)
53. The IAASB also agreed that the practitioner's report under ISAE 3000 (Revised) would be enhanced if the ISAE further articulated the circumstances that may give rise to an Emphasis of Matter paragraph, as well as Other Matter paragraphs, and the responsibilities of the practitioner in such circumstances. Accordingly, the IAASB introduced a requirement addressing the use of such paragraphs in the practitioner's report. (See paragraph 73 of ISAE 3000 (Revised).)
54. The IAASB recognized that an umbrella standard such as ISAE 3000 (Revised) should foster innovation and flexibility to enable application of the ISAEs to a broad range of underlying subject matters and engagement circumstances. As such, the IAASB did not see merit in mandating the precise wording of the conclusions for either reasonable or limited assurance engagements. Rather, the IAASB concluded that the practitioner should express a conclusion that is phrased using appropriate words for the level of assurance and the underlying subject matter and applicable criteria given the engagement circumstances; and phrased 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. (See paragraph 69(I)(iv) of ISAE 3000 (Revised).)
55. The IAASB did not agree that ISAE 3000 (Revised) should contain illustrative reports. The IAASB re-affirmed its view that a generic illustrative report(s) would be of limited value given the wide range of possible underlying subject matters. Further, doing so may imply that the IAASB has a preferred style of report, which it does not, and therefore inadvertently stifle innovation in reporting practices. In particular, only short-form reports could be included as illustrative reports, which would tend to militate against the use of long-form discursive reports that may be appropriate in many circumstances. The IAASB noted that the use, if any, of illustrative reports is more appropriate in subject-matter specific ISAEs and that ISAE 3402, ISAE 3410 and ISAE 3420 all contain illustrative reports.

Application of ISAE 3000 (Revised) by Competent Practitioners

56. ED-3000 proposed that competent practitioners who are not professional accountants in public practice should be permitted to apply the ISAE. This proposal sought to address the fact that assurance professionals other than professional accountants who are not members of an IFAC member body already perform engagements under extant ISAE 3000, yet the definition of a professional accountant in the *Glossary of Terms* in the IAASB Handbook excludes such individuals.

57. In permitting this, ED-3000 required the engagement partner to have specialist knowledge and competence in assurance skills and techniques developed through extensive training and practical application, and to be a member of a firm that applies ISQC 1,¹⁰ or other professional requirements or requirements in law or regulation that are at least as demanding as ISQC 1. Further, the practitioner was required to comply with Parts A and B of the IESBA Code related to assurance engagements, or other professional requirements or requirements imposed by law or regulation that are at least as demanding. ED-3000 also required statements in the assurance report regarding these requirements, and it acknowledged that the ISAE is premised on the basis of the above.
58. Respondents broadly supported the position adopted by the IAASB in ED-3000. However, some disagreed, noting that extending the application of ED-3000 to assurance professionals other than professional accountants in public practice may lead to inconsistency in the quality of engagements arising from their possible lack of sufficient assurance skills and experience. Respondents also called for an explicit statement from non-‘professional accountants’ on the specific ethical and quality control standards they have used to enable additional transparency of the relevant standards applied.

IAASB Decisions

59. The IAASB concluded that it is appropriate for ISAE 3000 (Revised) to permit competent practitioners to apply the ISAE. The IAASB acknowledged the reality that it is not able to prevent individuals from asserting compliance with its standards, and that it would be preferable to instead set out clear requirements for individuals who assert compliance with ISAE 3000 (Revised). The IAASB also re-affirmed its view that the provisions of ED-3000 with respect to the requirements of the practitioner who intends to represent compliance with the ISAE continue to be appropriate. Accordingly, these were unchanged from ED-3000, except for minor editorial improvements. (See paragraphs 3–4 and 12(r) of ISAE 3000 (Revised).)
60. However, the IAASB agreed with respondents’ suggestion for additional reporting requirements that make clear in the practitioner’s report the specific ethical and quality control standards followed, when those are not the IESBA Code or ISQC 1. The IAASB noted that such requirements serve to provide users with the transparency necessary in the circumstances. (See paragraphs 69(i)–(j) of ISAE 3000 (Revised).)
61. In addition, to further 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. In incorporating this material, the IAASB acknowledged the merit in duplicating key aspects of material in ISQC1 and ISA 220¹¹ with which competent practitioners may not be familiar. These include the purpose of quality control at both the engagement and firm level and reliance by the engagement team on the firm’s system of quality control. (See paragraphs A63–A65 of ISAE 3000 (Revised).)

¹⁰ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

¹¹ ISA 220, *Quality Control for an Audit of Financial Statements*

International Framework for Assurance Engagements

62. Unlike extant ISAE 3000, ED-3000 included all material that is necessary for it to be understood without reference to the Assurance Framework. In considering 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.
63. ED-3000 therefore contained proposed consequential amendments to the Assurance Framework which reflected the impact of changes proposed in the revised ISAE. Consistent with the approved project proposal, the proposed amendments did not change underlying concepts with the Assurance Framework except to clarify them where a particular need to do so has been identified through experience with ISAE 3000.
64. While few specific comments were received on the conforming amendments to the Assurance Framework, some respondents suggested that the Assurance Framework should be further developed to elucidate underlying assurance concepts rather than only making conforming amendments derived from the project to revise ISAE 3000. Other comments included that all significant assurance concepts and definitions should be included in the Assurance Framework for all International Standards.

IAASB Decisions

65. The IAASB reconfirmed that changes to key underlying assurance concepts within the Assurance Framework, or a review of role and status of the Assurance Framework, were outside the scope of the project. Accordingly, consistent with the approach to the conforming amendments for ED-3000, the IAASB agreed to make conforming amendments to the Assurance Framework only to reflect changes arising from ISAE 3000 (Revised).
66. In addition to minor alignment of terminology with ISAE 3000 (Revised) and editorial changes, the conforming amendments to the Assurance Framework included:
 - Alignment of material addressing:
 - Reasonable assurance and limited assurance (*See paragraph 78, and paragraphs 15–16 and 79, respectively, of the Assurance Framework.*)
 - Preconditions for an assurance engagement (*See paragraphs 22–25, 49, and 92 of the Assurance Framework.*)
 - Other assurance practitioners (*See paragraphs 32–33 of the Assurance Framework.*)
 - Forms of conclusions (*See paragraph 85 of the Assurance Framework.*)
 - Modifications to the practitioner's conclusion (*See paragraphs 89–90 of the Assurance Framework.*)
 - Streamlining of the description of direct engagements, and providing material to explain that the practitioner's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria and is worded in terms of the underlying subject matter and the criteria. Also noted is the fact that, in some direct engagements, the practitioner's conclusion is, or is part of, the subject matter information. (*See paragraph 13 and Appendix 2, paragraph 2 of the Assurance Framework.*)

- Removal of an appendix addressing the differences between reasonable and limited assurance engagements as it was seen to be duplicative of other material in the Assurance Framework.
67. The IAASB noted that ED-3000 did not describe the scope of engagements to be covered by ISAE 3000 itself. Rather, the scope of ISAEs was set in the Assurance Framework, which is non-authoritative and is not adopted in every jurisdiction. Accordingly, the IAASB included a new scope section in ISAE 3000 (Revised) drawing from the Assurance Framework. The IAASB also declined to consider the scope of ISAE 3000 (Revised) with respect to historical financial information, including vis-à-vis ISA 805,¹² noting that resolving the scope of ISAE 3000 (Revised) in this respect would delay the project substantially and that this issue should be considered when the IAASB deliberates its future strategy and work program. (See paragraphs 5–8 and A1 of ISAE 3000 (Revised).)

Conforming Amendments to Other ISAEs

68. The IAASB made conforming amendments to ISAEs 3402, 3410 and 3420 as a result of ISAE 3000 (Revised). In accordance with the approach adopted in ED-3000, the conforming amendments were limited to those necessary to enable these standards to operate under ISAE 3000 but did not extend to minor edits to each ISAE to exactly mirror wording in ISAE 3000 (Revised) or to remove duplication between the subject matter-specific ISAEs and ISAE 3000 (Revised). In ISAEs 3402, 3410 and 3420, additional material was included to clarify that the practitioner is required to comply with both ISAE 3000 (Revised) and the subject matter-specific ISAE when performing the assurance engagement, and that the subject matter specific ISAE supplements, but does not replace ISAE 3000 (Revised).
69. The IAASB reaffirmed its view that conforming amendments should not be proposed to ISAE 3400¹³ as a result of ISAE 3000 (Revised). ISAE 3400 had not been updated to take account of developments in other standards, including extant ISAE 3000, since it was issued. Making limited conforming amendments from the finalization of ISAE 3000 (Revised) may suggest that the standard has been subject to a more significant update than has been the case. The IAASB noted that a future review of the use of ISAE 3400, in light of ISAE 3000 (Revised), may be undertaken to inform the IAASB's consideration of any future action with respect to that ISAE.

¹² ISA 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

¹³ ISAE 3400, *The Examination of Prospective Financial Information*

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