

IAASB CAG PAPER



International Federation of Accountants

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Agenda Item

J.3

Committee: IAASB Consultative Advisory Group

Meeting Location: New York

Meeting Date: March 8-9, 2011

Assurance Engagements Other than Audits or Reviews of Historical Financial Information—ISAE 3000—Report Back

Objective of Agenda Item

1. The objective of this Agenda Item is to provide a brief report back on proposals of the Representatives on this project as discussed at the September 2010 CAG Meeting.

Papers to Be Referred to during Discussion

2. The discussion on this topic will follow the structure of this CAG Paper.
3. The hyperlinks presented at the end of this CAG Paper are for reference only.

Project Status and Timeline

4. The IAASB will be asked to approve proposed revised ISAE 3000 for exposure at its March 2011 meeting.
5. The Appendix to this paper provides a project history, including links to the relevant CAG documentation.

September 14–15, 2010 CAG Discussion

6. Below is an extract from the draft minutes of the September 2010 CAG meeting,¹ and an indication of how the IAASB or the Task Force responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
Mr. Hansen asked who makes the management representation in a direct reporting engagement, and whether they can be different from the engaging party. Mr. Hansen suggested that it could be made clearer who the client is.	Ms. Hillier responded during the meeting that there must always be 3 parties to an assurance engagement under ISAE 3000: the responsible party, the intended users and the practitioner; the other 2 parties noted in the agenda paper (i.e., engaging party and measurer/evaluator) may be one of these or someone else. The draft

¹ The minutes will be approved at the March 2011 IAASB CAG meeting.

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Representatives' Comments	Task Force/IAASB Response
	does not use the term "client."
Mr. Koktvedgaard noted that sub-paragraph (ii) of paragraph 42(c) of the draft mentions "reasonable assurance" in the context of qualifying a limited assurance report. He commented that this may be confusing and asked for the language to be reconsidered.	Point accepted. Use of "reasonable assurance" in this context eliminated.
Mr. White noted that the requirement in paragraph 26(a) of the draft regarding the need for additional explanation in the assurance report was limited to cases when the report is prescribed by law or regulation. He commented that in all cases the practitioner's communication should be clear to avoid misunderstandings.	Ms. Hillier agreed during the meeting, noting that as part of engagement acceptance and continuance procedures, the practitioner needs to be satisfied with a range of things, such as criteria, available evidence etc., and that this would include the format and wording of the report if that is to be determined by others. The requirement in paragraph 26(a) is particularly aimed at phrases commonly imposed by law and regulations, such as "certify."
Mr. Bauman noted that the table in the agenda paper depicting the basic work-flow for assurance engagements minimizes the difference between limited assurance and reasonable assurance. In his view, the difference could be vast, but this is not immediately evident from the table. ISAs have some 500 requirements, but ISAE 3000 has far fewer for limited assurance engagements. He asked if management could request the practitioner to do very little work and on that basis alone conclude that "nothing has come to my attention;" for example, is the required understanding of the entity the same and does the engagement team need to have a fraud risk brainstorming session as required for an audit? Mr. Fleck added that it is very difficult to explain in a limited assurance engagement what has been done and the value that intended	Point taken into account. Ms. Hillier responded during the meeting that ISAE 3000 is less directive, but does require practitioners to obtain a meaningful level of assurance and to retain the capacity to dig deeper if something comes to their attention. Also, Prof. Schilder noted that limited assurance engagements for various subject matters are still evolving, and that flexibility is therefore needed, but that subject matter-specific ISAEs can be more prescriptive. Ms. Hillier added that, although the IAASB is revising ISAE 3000 in light of experiences to date, feedback has been very positive about the influence extant ISAE 3000, albeit a more high-level and less detailed standard than the ISAs, has had on practice in making practitioners think through all the significant issues in new areas where it is in the public

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Representatives' Comments	Task Force/IAASB Response
users should attach to the output. In his view, it is important therefore that practitioners be satisfied at the engagement acceptance or continuance stage regarding the procedures to be performed and the way they will be described in the report.	interest for practitioners to be able to perform assurance engagements. In responding to the point raised, the Task Force has added to the March 2011 draft ISAE considerably more guidance about what constitutes a meaningful level of assurance. This guidance is flagged at the engagement acceptance stage.
Mr. Damant noted that determining the conditions under which non-accountants should be allowed to use ISAE 3000 is an important matter that the IFAC Board should also consider as it is broader than just ISAE 3000.	Point taken into account. An IFAC Task Force is currently reviewing the definition of "professional accountant," a matter which is highlighted for the CAG's discussion at Agenda Item B .

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Agenda Item 2-A of the March 2011
IAASB Meeting – Issues and IAASB Task
Force Proposals dated March 2011

[Links to follow](#)

Agenda Item 2-C of the March 2011
IAASB Meeting – Draft of Proposed
Revised ISAE 3000, *Assurance
Engagements Other than Audits or Reviews
of Historical Financial Information*

[Links to follow](#)

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Appendix

Project History

Project: Proposed revised ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information

Summary

	CAG Meeting	IAASB Meeting
Project Commencement	March 2009	March 2009
Development of Proposed International Pronouncement (up to Exposure)	<p>March 2010</p> <p>September 2010</p> <p>March 2011</p>	<p>June 2009</p> <p>December 2009</p> <p>March 2010</p> <p>June 2010</p> <p>September 2010</p> <p>December 2010</p> <p>March 2011</p>
Exposure – Planned for March 2011		

CAG Discussions: Detailed References

Project Commencement	<p><u>March 2009</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4655</p> <p>See CAG meeting minutes (part of Agenda Item G of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589</p> <p>See report back on March 2009 CAG meeting (in paragraph 9 of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5265</p>
Development of Proposed International	<p><u>March 2010</u></p>

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<p>Pronouncement (Up to Exposure)</p>	<p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5266</p> <p>See CAG meeting minutes (in Agenda H of the following material): http://www.ifac.org/IAASB/Meeting-Minutes.php?MID=0211</p> <p>See report back on March 2010 CAG meeting (in paragraph 7 of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5695 <u>September 2010</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5695</p> <p>See CAG meeting minutes (in Agenda Item R of the following material):</p> <p>See draft September 2010 CAG meeting minutes at Agenda Item D.</p> <p>See report back on September 2010 meeting in paragraph 6 of this CAG paper.</p>
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