

HoTARAC RESPONSE TO IAASB

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

General comments

HoTARAC welcomes the exposure draft ISAE 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (the proposed ISAE 3000) proposals as a timely update to the requirements of assurance audits, reflecting the evolving nature of assurance audits and the potential application of the standard by practitioners who are not professional accountants in public practice.

HoTARAC considers that assurance engagements are a specialised field of audit work that should be applied by skilled practitioners. HoTARAC agrees with paragraph 27 on the characteristics of the engagement partner, specifically the requirement they have specialist knowledge and competence in assurance skills and techniques developed through extensive training and practical application.

HoTARAC recognises that assurance engagements are an evolving field and the potential application extends well beyond audits or reviews of historical financial information. However, HoTARAC also recognises that the word “assurance” is a general term not restricted to the accounting profession, and other professional fields have their own assurance and review procedures developed by experts in the field. HoTARAC questions whether there are limits on the range of engagements to which the proposed ISAE 3000 may be applied, particularly in areas governed by their own rules, regulations and professional codes. HoTARAC is of the view that applying the proposed ISAE 3000 too broadly may result in confusion between accounting professionals and other experts that also provide assurance.

Regulatory and legal requirements providing assurance in a particular field may be more or less onerous than the opinion given in an assurance engagement under the proposed ISAE 3000. Practitioners may have difficulty in simultaneously meeting the expectations of professional requirements for measurement and evaluation in diverse fields and complying with the requirements of the proposed ISAE 3000 in respect to the conclusion of an assurance report.

For example, specific safety regulations govern certain industries such as aviation, nuclear power and the medical field. In these circumstances, the conduct of an assurance audit under the proposed ISAE 3000 would not be required or appropriate.

For this reason, HoTARAC strongly recommends that the bodies responsible for developing and issuing ISAE 3000 carefully consider their mandate in fields of endeavour not traditionally linked to the accounting profession.

HoTARAC members are typically not experts in auditing standards, although many have an understanding of audit and assurance. Consequently, HoTARAC is reluctant to comment specifically on the detailed provisions of auditing standards. Where possible, however, HoTARAC has commented as generally agreeing or disagreeing with the Request for Specific Comments.

Responses to Request for Specific Comments

Request for Specific Comments

The IAASB would welcome views on the following:

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?

HoTARAC agrees that the proposed requirements are flexible enough to cover a range of engagements. HoTARAC supports the requirements for the engaging partner or their firm to apply the requirement of International Standard on Quality Control (ISQC) 1 and to have relevant skills and knowledge. HoTARAC supports the inclusion of the guidance of paragraph A107 on the leveraging off the skills and knowledge of a practitioner's expert.

As mentioned in the general comments, HoTARAC questions whether there are any limits on the range of engagements to which the proposed ISAE 3000 may be applied. HoTARAC believes that casting the net of the proposed ISAE 3000 over too wide a range of possible engagements may result in confusion between accounting professionals and other experts.

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?

HoTARAC agrees the guidance is clear.

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

With the exception of the matter noted above on the potential for the proposed ISAE 3000 to be applied too broadly, HoTARAC believes the material to be appropriate to both types of 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?

For limited assurance engagements, the proposed ISAE 3000 should require the practitioner to obtain an understanding of internal control of the subject matter information. Internal control is a key governance mechanism of any entity. Therefore assurance engagements, though they may be limited assurance engagements, should involve obtaining a certain level of understanding on the entity's internal controls or other risk mitigation strategies related to the subject matter information.

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?

HoTARAC has no comment on specific terminology employed.

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

HoTARAC considers the distinction to be clearly stated. However, as proposed, the revised ISAE 3000 will be a self-contained standard for application by practitioners who are not professional accountants in public practice, HoTARAC therefore recommends the IAASB consider the inclusion of further examples of the different types of direct engagements and attestation engagements.

(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))?

HoTARAC agrees these appear reasonable.

(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?

No comment.

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?

HoTARAC agrees this is appropriate.

(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?

HoTARAC agrees this is appropriate.

(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?

HoTARAC agrees the proposed requirements appear reasonable.

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?

HoTARAC agrees the proposed requirements appear reasonable.

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?

Subject to the concern raised on the scope being too broad, HoTARAC agrees that competent practitioners should be able to apply the proposed ISAE 3000. HoTARAC strongly supports the requirements of paragraph 27(b), that an engagement partner should have specialist knowledge and competence in assurance skills and techniques developed through extensive training and practical application.

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

HoTARAC agrees, subject to the concern raised above.

Comments on Other Matters

The IAASB is also interested in comments on matters set out below.

***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.**

In HoTARAC's opinion the public sector environment has been appropriately dealt with in the proposed ISAE.

HoTARAC believes paragraph A55 adequately covers laws or regulations specific to the public sector.

***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.**

No comment.

***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.**

No comment.

***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.**

No comment.

***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.**

No comment.