

**INTERNATIONAL FRAMEWORK FOR
ASSURANCE ENGAGEMENTS
CONTENTS**

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Introduction

1. The purpose of this Framework is to define, and describe the elements of an assurance engagement, and identify those engagements to which International Standards on Auditing (ISAs) and International Standards on Assurance Engagements (ISAEs) apply. It provides a frame of reference for:
 - (a) Professional accountants in public practice (hereinafter referred to as practitioners) when performing assurance engagements. Professional accountants in the public sector refer to the Public Sector Perspective at the end of the Framework. Other professional accountants not in public practice are encouraged to refer to the Framework when performing assurance engagements¹;
 - (b) Others involved with assurance engagements, including the intended users of an assurance report and those responsible for the subject matter of an assurance engagement; and
 - (c) The development by the International Auditing and Assurance Standards Board of International Standards on Auditing (ISAs) for audits and reviews of historical financial information and of International Standards on Assurance Engagements (ISAEs) for assurance engagements on other subject matters.
2. The following is an overview of this Framework:
 - *Introduction*: This Framework deals with assurance engagements performed by practitioners because those engagements require adherence to ethical principles such as integrity and objectivity, and draw upon the practitioner's skills and competence with respect to aspects of the assurance process, such as evidence gathering, the exercise of professional judgment to evaluate evidence and form conclusions, and report writing. It provides a frame of reference for practitioners and others involved with assurance engagements, such as those engaging a practitioner.
 - *Definition of an assurance engagement and scope of the Framework*: This section defines what is meant by assurance engagements and distinguishes them from other engagements performed by practitioners, such as consulting engagements. It identifies certain characteristics of assurance engagements that must be met before a practitioner can accept such an engagement. Also, it identifies a category of assurance engagements known as "mutual consent engagements", in which the intended users are sufficiently knowledgeable as to the purpose and limitations of the engagement that the practitioner and they can agree that aspects of the Framework or the ISAEs need not be applied.
 - *Elements of an assurance engagement*: This section identifies and discusses five elements that all assurance engagements exhibit: a three party relationship, a subject matter, criteria, evidence and an assurance report. It explains important distinctions between the two types of assurance engagement that are permitted to be performed by a

¹ When this Framework is being applied by a professional accountant not in public practice and:

- (i) this Framework, the ISAs or the ISAEs are referred to in the professional accountant's report, and
- (ii) the professional accountant or other members of the assurance team and, when applicable, the firm, network firm or equivalent (e.g., the practitioner's employer), are not independent of the entity in respect of which the assurance engagement is being performed,

the lack of independence and the nature of the relationship(s) with the entity are prominently disclosed in the professional accountant's report, which does not include the word "independent" in its title, and the purpose and users of the report are restricted.

practitioner: an audit-level engagement and a review-level engagement². The key distinctions between these two types of engagement are summarized in the Appendix. This section also discusses the significant variation in the subject matters of assurance engagements, the characteristics that criteria must have to be considered suitable, the role of risk and materiality in assurance engagements, and the form of expression to be used for conclusions on each of the two types of assurance engagement.

ETHICAL PRINCIPLES AND QUALITY CONTROL STANDARDS

3. In addition to this Framework and ISAs and ISAEs, practitioners who perform assurance engagements are governed by the IFAC *Code of Ethics for Professional Accountants* (the Code), which establishes fundamental ethical principles for professional accountants, and International Standards on Quality Control (ISQCs), which establish standards and provide guidance on a firm's system of quality control³.
4. The fundamental ethical principles that all professional accountants are required to observe are set out in Part A of the Code⁴. Those principles are:
 - (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality;
 - (e) Professional behavior; and
 - (f) Application of technical standards.
5. Practitioners also observe Part B of the Code, which includes a conceptual approach to independence that takes into account, for each assurance engagement, threats to independence, accepted safeguards and the public interest. It requires firms and members of assurance teams to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or to reduce them to an acceptable level by the application of safeguards.

Definition of an Assurance Engagement and Scope of the Framework

6. "Assurance engagement" means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence the intended users⁵ can have about the evaluation or measurement of a subject matter, that is the responsibility of a party other than the intended users⁶ or the practitioner, against criteria.

² This Framework uses the terms "audit-level engagement" and "review-level engagement" to distinguish between these two types of assurance engagement. These terms are used for ease of reference only, and it is recognized that various other names may be used for each, including "audit" or "examination", and "review" or "limited review."

³ Additional standards and guidance on quality control procedures for specific types of assurance engagements are set out in ISAs and ISAEs.

⁴ The Code referred to here is the version revised in November 2001. Section 8 "Independence for Assurance Engagements" of that version is applicable to assurance engagements when the assurance report is dated on or after December 31, 2004. Earlier application is encouraged.

⁵ Use of the term "intended users" in this Framework includes cases when there is only one intended user.

⁶ The responsible party can be one of the intended users, but not the only one.

7. While there may be many engagements that could potentially meet this definition, a practitioner does not accept an assurance engagement unless:
 - (a) The practitioner's preliminary knowledge of the engagement circumstances indicates that the engagement exhibits all the following characteristics:
 - (i) The subject matter is identifiable, capable of consistent evaluation or measurement against identified, suitable criteria, and in a form that can be subjected to procedures for gathering evidence to support that evaluation or measurement;
 - (ii) The criteria to be used are suitable and are available to the intended users;
 - (iii) Sufficient appropriate evidence to support the practitioner's conclusion is available; and
 - (iv) The practitioner's conclusion, in the form appropriate to either an audit-level engagement or a review-level engagement, is to be contained in a written report; or
 - (b) It is a "mutual consent engagement" in accordance with the following paragraph.
8. In certain assurance engagements, the intended users of the assurance report are sufficiently knowledgeable as to the purpose and limitations of the engagement, as a result of their participation in establishing its nature and scope, that their specific, legitimate objectives can be achieved when the practitioner and they agree that aspects of this Framework or the ISAEs need not be applied. Such an engagement is known as a "mutual consent engagement" if it exhibits all of the following characteristics:
 - (a) It is not an engagement to which ISAs apply or to which a subject matter-specific ISAE applies;
 - (b) All of the intended users agree in writing that:
 - (i) The engagement is not subject to this Framework, the ISAs or the ISAEs;
 - (ii) Any written report issued by the practitioner is restricted to, and will not be distributed beyond the intended users; and
 - (iii) The matters identified in (i) and (ii) above are to be reflected in any written report that is issued by the practitioner; and
 - (c) The practitioner is satisfied that there is:
 - (i) A rational purpose for the engagement; and
 - (ii) A reasonable justification for excluding the engagement from being subject to this Framework and the ISAEs.
9. In performing mutual consent engagements, practitioners are not required to follow this Framework or the ISAEs, but are required to comply with the Code and with the ISQCs⁷.
10. Not all engagements performed by practitioners are assurance engagements. Other engagements frequently performed by practitioners that do not meet the definition of an assurance engagement and which are therefore not covered by this Framework include:
 - Engagements covered by International Standards for Related Services, including:
 - Agreed-upon procedures.
 - Compilation of financial or other information.

⁷ The term "assurance engagements" as used in the remainder of this Framework does not include mutual consent engagements unless there is a specific reference to them.

- The preparation of tax returns where no conclusion conveying assurance is expressed.
 - Consulting engagements⁸ such as tax consulting, or engagements in which a practitioner is engaged to testify as an expert witness in accounting, auditing, taxation or other matters given stipulated facts.
11. An assurance engagement may be part of a larger engagement, e.g., when a business acquisition consulting engagement includes conveying assurance regarding historical or prospective financial information. In such circumstances, ISAs and ISAEs apply only to the assurance portion of the engagement.
 12. A report issued by a practitioner in connection with an engagement that is not an assurance engagement, but which a user of the report could otherwise reasonably mistake for an assurance engagement, is written so as to clearly distinguish it from an assurance report. It is not sufficient for a report that could otherwise reasonably be mistaken for an assurance report to merely exclude reference to ISAs or ISAEs.

Elements of an Assurance Engagement

13. An assurance engagement exhibits all of the following elements, each of which is discussed below.
 - (a) A three party relationship involving:
 - (i) A practitioner;
 - (ii) A responsible party; and
 - (iii) The intended users;
 - (b) A subject matter;
 - (c) Criteria;
 - (d) Evidence; and
 - (e) An assurance report.

THREE PARTY RELATIONSHIP

14. Assurance engagements always involve three separate parties: a practitioner, a responsible party and the intended users. The practitioner gathers evidence to obtain assurance and provide a conclusion to the intended users about whether a subject matter, that is the responsibility of a party other than the intended users⁹ or the practitioner, conforms in all material respects with identified criteria.
15. The responsible party and the intended users will often be from separate entities but need not be. A responsible party and the intended users may both be within the same entity. For example, where there is a two-tier board structure, the supervisory board may seek assurance about information provided by the management board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the

⁸ Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

⁹ The responsible party can be one of the intended users, but not the only one.

immediate responsibility of a lower level of management but for which senior management is ultimately responsible.

Practitioner

16. The Code defines professional accountants as: “those persons, whether they be in public practice (including a sole practitioner, partnership or corporate body), industry, commerce, the public sector or education who are members of an IFAC member body”. The term “practitioner” as used in this Framework means a professional accountant in public practice. It is broader than the term “auditor” as used in ISAs, which relates only to practitioners performing audit or review engagements with respect to historical financial information.
17. Practitioners may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialist skills and knowledge beyond those that individual practitioners ordinarily possess. In such cases the practitioner is satisfied that those persons carrying out the engagement collectively possess the requisite skills and knowledge.

Responsible Party

18. The responsible party is the person or persons, either as individuals or as representatives of an entity, responsible for the subject matter. The responsible party may or may not be the party who engages the practitioner.

Intended Users

19. The intended users are the class of persons (or the individual) for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.
20. The intended users may be identified in an agreement between the practitioner and the responsible party or those engaging the practitioner. In some circumstances the intended users are identified by law. Often the intended users are the addressee of the assurance report but in some cases there are intended users other than the addressee.
21. Some intended users (e.g., bankers and regulators) may impose a requirement on, or may request the responsible party to arrange for, an assurance engagement to be performed on a particular subject matter. However, other intended users may have no direct involvement in defining the terms of an assurance engagement. When the engagement is designed to meet the needs of specific intended users or for a specific purpose, the practitioner considers stating in the assurance report that its use is restricted to those specific intended users or the specific purpose.

SUBJECT MATTER

22. The subject matter of an assurance engagement can take many forms, such as:
 - Information or data about, e.g., historical or prospective, financial or other type of performance or conditions, or physical characteristics (e.g., financial statements, statistical information, non-financial performance indicators, capacity of a facility).
 - Systems and processes (e.g., internal controls, IT systems).
 - Behavior (e.g., corporate governance, compliance with regulation, human resource practices).

23. The subject matter may relate to a point in time or cover a period of time.
24. The subject matter is to be identifiable, capable of consistent evaluation or measurement against identified, suitable criteria, and in a form that can be subjected to procedures for gathering evidence to support that evaluation or measurement.
25. The characteristics of some subject matters make them more capable of:
 - (a) Precise evaluation or measurement against the identified criteria; or
 - (b) A higher degree of support by more persuasive or conclusive evidence (see paragraph 43 (a)).

These characteristics can include the degree to which the subject matter is: qualitative versus quantitative, objective versus subjective and historical versus prospective. Such characteristics are particularly relevant to the intended users and therefore are described in the assurance report.

26. In some engagements, known as assertion-based engagements, the responsible party makes an explicit assertion that is available to the intended users. The assertion is the responsible party's declaration about the subject matter based on the identified criteria. When such an assertion is not available to the intended users (known as a direct reporting engagement), the practitioner's conclusion relates to the subject matter directly (e.g., the subject matter is presented fairly in accordance with the identified criteria).

CRITERIA

27. Criteria are the benchmarks used to evaluate or measure the subject matter of an assurance engagement including, where relevant, benchmarks for presentation and disclosure of the subject matter. For example: in the preparation of financial statements, the criteria may be International Financial Reporting Standards or International Public Sector Accounting Standards; when reporting on internal control, the criteria may be an established internal control framework or individual control objectives specifically designed for the engagement; and when reporting on compliance, the criteria may be the applicable law, regulation or contract. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding.
28. Criteria need to be suitable to enable reasonably consistent evaluation or measurement of the subject matter within the context of professional judgment. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances, therefore the same criteria will not always be selected for the same subject matter. For example, for the subject matter of customer satisfaction, one responsible party may select as a criterion the number of customer complaints resolved to the satisfaction of the customer; while another responsible party may select a different criterion, such as the number of repeat purchases in the three months following the initial purchase.
29. The decision as to whether the criteria are suitable involves considering whether the subject matter is capable of reasonably consistent evaluation or measurement against those criteria. The evaluation or measurement of a subject matter on the basis of the practitioner's own expectations, judgments and individual experience would not constitute suitable criteria. The characteristics for assessing whether criteria are suitable are as follows:
 - (a) Relevance: relevant criteria contribute to conclusions that meet the objectives of the engagement, and assist decision making by the intended users;

- (b) Completeness: criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement objectives are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure of the subject matter;
 - (c) Reliability: reliable criteria result in reasonably consistent evaluation or measurement including, where relevant, presentation and disclosure of the subject matter, when used in similar circumstances by similarly qualified practitioners;
 - (d) Neutrality: neutral criteria are free from bias; and
 - (e) Understandability: understandable criteria are clear and comprehensive and are not subject to significantly different interpretation.
30. In assessing the suitability of criteria to a particular engagement, the practitioner considers whether the criteria reflect the above characteristics. The relative importance of each characteristic to a particular engagement is a matter of judgment. Criteria can be either established or specifically developed. Established criteria are those embodied in laws or regulations, or issued by recognized bodies of experts that follow due process. Specifically developed criteria are those identified for the purpose of the engagement and which are consistent with the engagement objective. Whether criteria are established or specifically developed affects the work that the practitioner carries out to assess suitability for a particular engagement.
31. Practitioners do not accept an assurance engagement¹⁰ when the criteria are not suitable. In such cases, however, it may be possible to:
- (a) Identify a component of the subject matter for which suitable criteria exist, and perform an assurance engagement in relation to that component as a subject matter in its own right. In such cases, care may need to be taken to prevent the assurance report in relation to the component being mistaken for a report on the original subject matter in its entirety; or
 - (b) Perform an engagement that is not an assurance engagement, such as an agreed-upon procedures engagement or a consulting services engagement.
32. Identification of the criteria in the reporting of an assurance conclusion is important because it informs the intended users of the basis against which the subject matter has been evaluated or measured in forming that conclusion. Similarly, the criteria need to be available to the intended users. Criteria can be available to the intended users in one or more of the following ways:
- (a) Available publicly;
 - (b) Available to the intended users through inclusion in a clear manner in the presentation of the subject matter;
 - (c) Available to the intended users through inclusion in a clear manner in the assurance report;
 - (d) Generally understood by the intended users (e.g., the criterion for measuring time in hours and minutes is generally understood); or

¹⁰ Practitioners can accept an assurance engagement that is a mutual consent engagement in which intended users specify criteria that the practitioner would ordinarily consider unsuitable for such engagements, e.g., when a responsible party is piloting criteria under development that are known to be incomplete.

- (e) Available only to specific intended users (e.g., the terms of a contract, or criteria issued by an industry association that are available only to those in the industry).

When the identified criteria are available only to specific intended users, or are relevant only to a specific purpose, use of the assurance report is restricted to those specific intended users or that purpose¹¹.

EVIDENCE

33. An assurance engagement involves the practitioner planning and performing the engagement to obtain sufficient appropriate evidence about the subject matter's conformity with the identified criteria, and applying professional judgment in order to express a conclusion. For both audit-level and review-level engagements, and for all subject matters, this involves a systematic engagement process requiring a base of specialized knowledge and skills, and the application of techniques for gathering and documenting evidence to support the conclusion. The practitioner considers materiality and assurance engagement risk (see paragraph 39) when planning and performing the engagement.
34. The concepts of sufficiency and appropriateness of evidence are interrelated, and include considering the reliability of evidence. Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence, that is, its relevance and its reliability. The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting a procedure for which there is no reasonable alternative. The practitioner uses professional judgment in determining the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.
35. The reliability of evidence is influenced by its source and by its nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:
- Evidence is more reliable when it is obtained from independent sources.
 - Evidence that is generated internally is more reliable when the related controls are effective.
 - Evidence obtained directly by the practitioner (e.g., observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (e.g., inquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (e.g., a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of what was discussed).
 - Evidence provided by original documents is more reliable than evidence provided by photocopies or facsimiles.

¹¹ While an assurance report may be restricted whenever it is intended only for specified intended users or a for specific purpose, the absence of a restriction regarding a particular reader or purpose, does not indicate that a duty of care is owed by the practitioner in relation to that reader or for that purpose.

36. An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. However, the practitioner considers the reliability of the information to be used as evidence, e.g., photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.
37. Evidence is more reliable when the practitioner obtains consistent evidence from different sources or of a different nature. In these circumstances, the practitioner may obtain more assurance than from items of evidence considered individually. For example, corroborating information obtained from a source independent of an entity may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional evidence gathering procedures are necessary to resolve the inconsistency.
38. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance on a subject matter covering a period of time than on a subject matter at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement and do not extend to providing any conclusion about whether the process will continue to function in the specified manner in the future.

Assurance Engagement Risk

39. Assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter does not conform, in all material respects, with the identified criteria¹². In an audit-level engagement, the practitioner reduces assurance engagement risk to an acceptably low level, whereas in a review-level engagement, assurance engagement risk is reduced to a moderate level (see the Appendix for an outline of the differences between an audit-level engagement and a review-level engagement).
40. In general, assurance engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:
 - (a) The risk that the subject matter does not conform, in all material respects, with the identified criteria, which in turn consists of:
 - (i) Inherent risk: the susceptibility of the subject matter to material nonconformity with the identified criteria, assuming that there are no related controls, and
 - (ii) Control risk: the risk that a material nonconformity with the identified criteria that could occur will not be prevented, or detected and corrected on a timely basis by related internal controls. Some control risk will always exist because of the inherent limitations of the design and operation of internal control, and
 - (b) Detection risk: the risk that the practitioner will not detect a material nonconformity with the identified criteria.

The degree to which the practitioner considers each of these components is affected by the engagement circumstances, in particular by the nature of the subject matter and whether an audit-level or a review-level engagement is being performed.

¹² In addition to assurance engagement risk, the practitioner is exposed to risks through loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on. The latter risks are not part of assurance engagement risk.

Nature, Timing and Extent of Evidence Gathering Procedures

41. The exact nature, timing and extent of evidence gathering procedures the practitioner undertakes will vary from one engagement to the next. In theory, it may be possible to have infinite variations in evidence gathering procedures. In practice, however, it ordinarily is not possible to communicate fine gradations in the nature, timing and extent of evidence gathering procedures in a clear and unambiguous manner. Therefore, this Framework establishes that in any assurance engagement, the practitioner report in the form appropriate to one of only two distinct levels of evidence gathering procedures: an audit-level or a review-level¹³.
42. Sufficient appropriate evidence to reduce assurance engagement risk to a moderate level is obtained through limited evidence gathering procedures, e.g., inquiry and analytical procedures, based on a sound understanding of the engagement circumstances and, in certain cases only, additional evidence gathering procedures. In an audit-level engagement, the level of evidence gathering procedures is limited only by what is reasonable in the circumstances to achieve the objective of the engagement. While a review-level engagement involves the application of assurance skills and techniques and the gathering of evidence, it ordinarily does not involve obtaining evidence about the design of internal control and determining whether it has been implemented, or obtaining corroborating evidence through tests of records and tests of responses to inquiries, using techniques such as inspection, observation, confirmation, re-calculation and re-performance, which are procedures ordinarily performed during an audit-level engagement. However, if in a review-level engagement a matter comes to the attention of the practitioner that may indicate the subject matter does not conform in all material respects with the identified criteria, the practitioner pursues the matter and may need to obtain corroborating evidence.

Quantity and Quality of Evidence Available

43. Ordinarily, the evidence available to support the evaluation or measurement of the subject matter against the identified criteria will be persuasive rather than conclusive. The quantity or quality of evidence available will be affected by:
 - (a) The characteristics of the subject matter, e.g., when the subject matter is future oriented, less objective evidence might be expected to exist than when the subject matter is historical (see paragraph 25(b)); and
 - (b) The particular circumstances of the engagement other than the characteristics of the subject matter, when evidence that could reasonably be expected to exist is not available to the practitioner for reasons such as the timing of the practitioner's appointment, an entity's document retention policy or a restriction imposed by the responsible party.
44. Limitations on the quantity or quality of evidence available because of the particular circumstances of the engagement other than the characteristics of the subject matter will, in some cases, prevent the practitioner from being able to express an unqualified audit-level conclusion. If the engagement:
 - (a) Has not been accepted as an audit-level engagement, the practitioner may be able to accept the engagement as a review-level engagement and express an unqualified review-level conclusion. Before accepting such an engagement, the practitioner

¹³ Where the subject matter is made up of a number of components, separate conclusions may be provided on each component. While not all such conclusions need relate to the same level of evidence gathering procedures, each conclusion clearly relates to either an audit-level or a review-level.

considers whether it is possible and appropriate to provide a review-level conclusion;
or

- (b) Has been accepted as an audit-level engagement and the practitioner is requested to change it to a review-level engagement or a non-assurance engagement, the practitioner considers the appropriateness of doing so, and does not agree to a change where there is no reasonable justification for it. A change in circumstances that affects the requirements of the intended users, or a misunderstanding concerning the nature of the engagement, is ordinarily considered a reasonable justification for requesting a change in the engagement.
45. It is not appropriate to provide an unqualified assurance conclusion, in relation to either an audit-level engagement or a review-level engagement, when:
- (a) Circumstances prevent the practitioner from accessing evidence that the practitioner determines is required to reduce assurance engagement risk to the appropriate level; or
 - (b) The responsible party imposes a restriction that prevents the practitioner from accessing evidence that may be required to reduce assurance engagement risk to the appropriate level.

In such cases the practitioner expresses a reservation or denial of conclusion, or withdraws from the engagement.

ASSURANCE REPORT

46. The practitioner provides a written report containing a conclusion that conveys the assurance obtained as to whether the subject matter conforms in all material respects with the identified criteria.
47. The assurance report may be in “long-form” and describe in detail the objective(s) of the engagement, the criteria being used, specific findings and, in some cases, recommendations, as well as the practitioner’s conclusion and the other basic elements identified in appropriate ISAs and ISAEs. “Short-form” reports ordinarily only include the basic elements identified in appropriate ISAs and ISAEs. In addition to the assurance report, the practitioner communicates with those charged with governance when it is appropriate to do so.
48. In an audit-level engagement, the conclusion is expressed in the positive form, e.g., “in our opinion *subject matter* conforms in all material respects with *criteria*.” This form of expression conveys “reasonable assurance”, which indicates that, given the level of the practitioner’s evidence gathering procedures and the characteristics of the subject matter described in the assurance report, the practitioner has obtained sufficient appropriate evidence to reduce assurance engagement risk to an acceptably low level. The level of the practitioner’s evidence gathering procedures and the characteristics of the subject matter affect the assurance the practitioner obtains because they affect the quantity and quality of evidence upon which the practitioner’s conclusion is based.
49. “Reasonable assurance” obtained in an audit-level engagement is less than absolute assurance because reducing assurance engagement risk to zero is ordinarily not attainable as a result of such factors as the use of selective testing, the inherent limitations of internal control, the fact that much of the evidence available to the practitioner is persuasive rather than conclusive, and the use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence.

50. In a review-level engagement, the conclusion is expressed in the negative form, e.g., “nothing has come to our attention that causes us to believe that *subject matter* does not conform in all material respects with *criteria*.” This form of expression conveys “limited assurance”, which indicates that, given the level of the practitioner’s evidence gathering procedures and the characteristics of the subject matter described in the assurance report, the practitioner has obtained sufficient appropriate evidence to reduce assurance engagement risk to a moderate level. The level of the practitioner’s evidence gathering procedures and the characteristics of the subject matter affect the assurance the practitioner obtains because they affect the quantity and quality of evidence upon which the practitioner’s conclusion is based.
51. A practitioner is associated with a subject matter when the practitioner attaches a report to that subject matter or consents to the use of the practitioner’s name in a professional connection with that subject matter. If the practitioner is not associated in this manner, third parties can assume no responsibility of the practitioner. If the practitioner learns that a party is inappropriately using the practitioner’s name in association with a subject matter, the practitioner would require the party to cease doing so and consider what further steps, if any, need to be taken, such as informing any known third party users of the inappropriate use of the practitioner’s name. The practitioner may also believe it necessary to take other action, e.g., to seek legal advice.

Effective Date

52. This ISAE is effective for assurance engagements where the assurance report is dated on or after *[date to be inserted]*. Earlier application is encouraged.

Public Sector Perspective

This Framework is applicable to all professional accountants in the public sector who are independent of the entity for which they perform assurance engagements. Where professional accountants in the public sector are not independent of the entity for which they perform an assurance engagement, this Framework should be applied with particular reference to the guidance in footnote 1.

Appendix: Differences between audit-level engagements and review-level engagements

This Appendix outlines the differences between an audit-level engagement and a review-level engagement discussed in the Framework (see in particular paragraphs 39, 42 and 48-50).

| Type of engagement | Level of assurance engagement risk | Evidence gathering procedures ¹⁴ | Conclusion in the assurance report | Assurance obtained and conveyed |
|---|------------------------------------|---|------------------------------------|---------------------------------|
| Audit-level engagement (see in particular paragraphs 39, 42, 48 and 49) | Acceptably low level | Sufficient appropriate evidence is obtained through obtaining an understanding of the engagement circumstances; assessing the risks of the subject matter not conforming materially with the identified criteria, responding to assessed risks, performing further procedures and evaluating the evidence obtained, using procedures such as inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. The level of procedures is limited only by what is reasonable in the circumstances to achieve the objective of the engagement. | Positive form of expression | “Reasonable assurance” |
| Review-level engagement (see in particular paragraphs 39, 42 and 50) | Moderate level | Sufficient appropriate evidence is obtained through procedures that are limited compared to an audit-level engagement, and often comprise only inquiry and analytical procedures based on a sound understanding of the engagement circumstances unless a matter comes to the attention of the practitioner that may indicate the subject matter does not conform in all material respects with the identified criteria. | Negative form of expression | “Limited assurance” |

¹⁴ A detailed discussion of evidence gathering requirements is only possible within ISAEs for specific subject matters.